

MAY 29
1937

BUSINESS WEEK

BUSINESS
INDICATOR



IN THE OLD KIT BAG—This summer more Americans will pack up their troubles, travel here and abroad, than in many years.

Wide World

McGRAW-HILL
PUBLISHING
COMPANY, INC.

20 CENTS

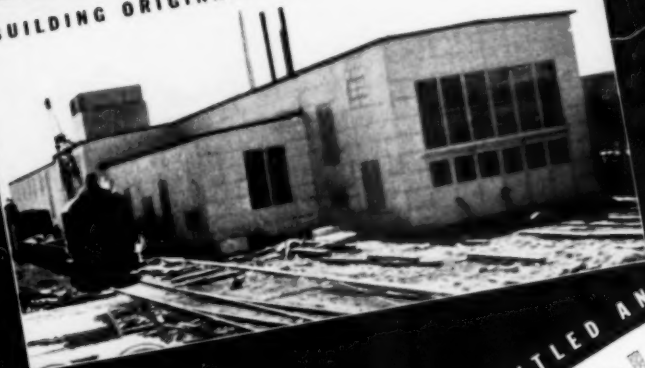
A Report to Executives

THE PROFITS OF DIVERSIFICATION

UNIVERSITY OF MICHIGAN
CENTRAL LIBRARY
ANN ARBOR MICH

MORE *"Building Mileage"* PER DOLLAR WITH TRUSCON STANDARD BUILDINGS

BUILDING ORIGINALLY ERECTED IN KENTUCKY



DISMANTLED AND MOVED TO NEW JERSEY

TWO TRUSCON STANDARD BUILDINGS MERGE TO FORM ONE



Kentucky

USE THIS FOR PROMPT REPLY


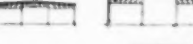

We are interested in the type of building checked below.

Length.....Width.....Clear Height.....

SERIES-A—pitched roof types

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SERIES-B—flat roof types

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Name.....

Address.....

City.....State.....

Several years ago... two Truscon Standard Buildings... one in Kentucky... the other in New Jersey... were erected for a manufacturer operating in both states. • Unforeseen conditions a few years later made the Kentucky plant unnecessary. But the plant in New Jersey required more space. The Kentucky

plant was dismantled... the standard steel units shipped to New Jersey and re-erected with almost complete salvage value. • When you know all the advantages of Truscon Standard Buildings, we believe you'll agree that they offer you *"More Building Mileage Per Dollar!"* Write today for complete detailed information.

TRUSCON STEEL CO

YOUNGSTOWN, OHIO

57 SALES-ENGINEERING OFFICES... 24 WAREHOUSES

MAY 29, 1951

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NO OTHER FULL-SIZE CAR OFFERS THIS **LOW-COST** **TRANSPORTATION!**

*The Car that
Stands Up Best—*

Plymouth is not only the most reliable low-priced car... it offers greatest over-all economy! Fleet owners report 18 to 24 miles per gallon of gas... lowest oil, tire and upkeep costs of any full-powered car today!



MORE AND MORE business firms are learning that Plymouth cars *stand up* under the worst driving conditions... and *save money* year after year.

Here are some of the features that give Plymouth its extra ruggedness: a big, rigid X-type frame... *all-steel* body... Hypoid rear axle... Floating Power engine mountings... four-bearing crankshaft.

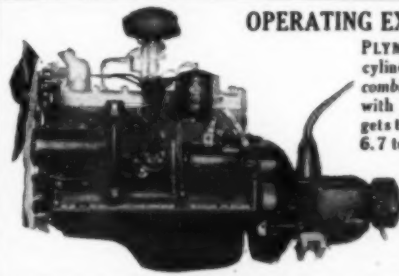
Plymouth's brakes are double-acting hydraulics... self-equalizing... for over ten years conceded to be the smoothest, safest, longest-lasting brakes built!

As for operating economy, owners report that the powerful, 6-cylinder engine gives 18 to 24 miles per gallon... with an amazingly low oil consumption.

Get in touch with your Chrysler, DeSoto or Dodge dealer and learn the facts about

OPERATING EXPENSES CUT

PLYMOUTH'S powerful, 6-cylinder, "L-head" engine combines great performance with amazing economy... gets the high compression of 6.7 to 1 on regular gas!



Plymouth's over-all costs... prove to yourself it's the car that stands up best.

PRICED WITH THE LOWEST

The Commercial Credit Company offers remarkably low, easy payment terms through all Chrysler, DeSoto and Dodge dealers.

PLENTY OF ROOM. Look at that space... with no sill or spare tire to lift over. Too, there's tremendous extra seat room... extra leg and head room. Windshield is 3" wider with built-in defroster vents.



PLYMOUTH BUILDS GREAT CARS

PLYMOUTH DIVISION OF CHRYSLER CORPORATION, DETROIT, MICHIGAN



Drink plenty of properly cooled water during the day... keep mentally and physically fit! The General Electric Water Cooler makes it easy and convenient...

GET THE healthful water drinking habit. Drink 6 to 8 glasses of properly cooled water between meals *every day*. You'll feel better, work better, have more pep. Ask your physician—or life insurance company.

You can have a constant supply of perfectly cooled, refreshing drinking water within arm's reach—for mere pennies a day. A General Electric Water Cooler in your office will provide you with the world's lowest cost water cooler service.

New G-E models are surprisingly low in price, beautifully styled, and include exclusive features that give you better service, longer life and lower operating cost. Make a note now to phone the G-E appliance dealer in your vicinity who will gladly supply complete information—or write direct for free catalog and book on Water and Health. Address: General Electric Co. Section CA-52, Nela Park, Cleveland, Ohio.

You'll Always Be Glad You Bought a G-E Water Cooler

GENERAL ELECTRIC
Water Coolers



• Bottle and city water coolers—faucet and bubbler types—for any office, factory or mill requirement.



New Business

WHATEVER the volume of mail pouring across one's desk, it is a stone man with an iron will who will not peek into the contents of a hand-addressed envelope bearing a foreign stamp and postmark. Thus reasoned Harry Latz, New York direct mail specialist; thus bet Ralph Hitz when he initialed a print order for four European mailings of 18,000 each, featuring Hotel New Yorker's Summer Terrace. Forthwith went printer's copy and mailing lists to Europe. Back came that first mailing from France, each envelope bearing a 30-centime stamp. Second mailing is timed to arrive today, May 29, from Scotland with King George ha'penny stamps. June 15 and June 29 mailings are scheduled to come from Sweden and Belgium, respectively. At present foreign exchange rates, French 30-centime stamps cost only two mills more than Mr. Farley's one-centers; as befits a mailing from Scotland, the King George ha'pennies will cost less than normally equivalent American postage. All-over mailing costs for the entire campaign should not run more than 10% or 20% beyond a common or garden domestic job.

PERSONAL loans to a total of 16,768 constitute the theme of current advertising by Lincoln-Alliance Bank & Trust Co., Rochester, N. Y. Modern indeed is the bank which will publish a loan analysis showing where the money went: automobiles, accessories, and repairs, 14%; business purposes, 3%; improvements and repairs to houses, 7%; furniture and furnishings, 2%; medical bills 3%; taxes 3%; refinancing, 10%; household appliances 40%; 18% seems to be absent and unaccounted for.

PUBLICATION notes: (1) J. Walter Thompson Co. will be ready with its "Primer of Capitalism" some time along in June. Advance copy makes it look like a worthy successor to its revamp of "Brookings' Primer of Progress." (2) Directory of Directors Co. is ready with the 1937 edition of "Directory of Directors in the City of New York," 1,125 pages of who's who in New York business and finance. (3) "The Picture Story of Steel," appears in an intelligently illustrated 47-page brochure of American Iron and

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Symbols


Recently a king was crowned—a symbol of traditional ideals, of character, of the unity of a vast, far-flung empire.

In the commercial world of today, we too are set apart by symbols—our company names stand for the character of our organizations and the work they do to forward the progress and development of our country and its resources.

Combustion Engineering devotes itself to the

development and manufacture of steam generating equipment of improved design.

In thousands of small manufacturing establishments and the largest industrial plants C-E equipment is reducing steam costs to new low levels.

The name  on Boilers, Stokers and Pulverized Fuel Systems is the symbol of high standards of economy and dependability of steam production—it is the mark of Combustion Engineering.

COMBUSTION ENGINEERING

COMBUSTION ENGINEERING COMPANY, Inc., 200 MADISON AVENUE, NEW YORK, N. Y. • CANADA: COMBUSTION ENGINEERING CORP., Ltd., MONTREAL

BOILERS • STOKERS • FURNACES • PULVERIZED FUEL SYSTEMS • HEAT RECOVERY EQUIPMENT
FABRICATORS of PRESSURE VESSELS, TANKS, etc., WELDED or RIVETED in CARBON, ALLOY or CLAD STEELS

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Washington Bulletin

WASHINGTON (*Business Week Bureau*)—Planned economy—government control over production, prices, and plant expansion with tighter regulation of all forms of investments—will follow regulation of wages and hours and prohibition of child labor in the President's program. This explains his refusal to accept the victories already won and abandon the Supreme Court enlargement battle. Doubt pervades the New Deal as to whether any court will uphold future steps in Roosevelt's economic march. New Dealers have not forgotten that even Justices Brandeis and Cardozo voted against the NRA.

Pretty Safe So Far

Concern is professed over possible decisions on New Deal measures already on the statute books but not yet before the court. Actually, the New Dealers aren't much disturbed, for when a true believer takes the seat of Justice Van Devanter, existing legislation, as well as the new wage-and-hour bill, will be pretty safe.

But What About Future?

What is critical to them is the conviction that the new court must have a majority more New Dealishly inclined than even Brandeis and Cardozo—if all the White House objectives are to be obtained. It is not only the NRA decision that sticks in New Deal craws. There was the little matter of the court voting unanimously that the President had no right to remove Federal Trade Commissioner Humphreys. They remember the balking, sometimes crippling, Comptroller of the Treasury McCarl and want no legal difficulties about the summary right of the President to fire obstructors.

Why Control Seems Vital

Planned economy is vitally essential to the new order as the President views it. Without such control, he thinks his ever-normal business ideal will not work. Critics do not think it would work anyhow, but that is another story. The right of the government to veto plant expansions is one example of the control Roosevelt wants. The President believes this is essential to prevent the vicious cycle of booms and depressions, essential to continuous employment. He has cherished the idea for at least five years. It is part and parcel of his idea that profits must be small—too small to provide for enlargements that might be wasteful. The government, he thinks, must protect consumers from prices high hoisted to cover such losses, so the government must protect business

PICTURES DON'T LIE

Aerial photographers will police farmers' performance under the soil conservation program. AAA this week placed 19 contracts totaling \$753,909 with air survey firms to cover 377 agricultural counties in 22 states. More contracts will be let under bids recently opened. Bird's-eye mapping is cheaper and better than earth-traveling checkers.

from making mistakes. A high court which will hold even such power constitutional remains the present objective.

History May Repeat

President Roosevelt's enemies rejoice that his heart is still set on Supreme Court enlargement. They hope he will go through with his fight and repeat the history of Woodrow Wilson on the Versailles treaty, refusing to permit the dotting of an "i" or the crossing of a "t." They are saying that the President believes the country is with him and wants to punish the senators who have openly opposed him—wants them beaten in the next primaries.

Labor Bill, Then Court

Although the obvious logic would be for the President to claim the smashing victory he has won and drop the court fight, present strategy is to push the labor bill to a vote as speedily as possible, whoop up popular sentiment for this step in social progress, then fall back on the court bill as necessary to insure constitutionality.

Dynamite in Differential

House labor chairman Connery will be a real trouble-maker on the wage-hour bill's most contentious issue by his demand for elimination of the North-South wage differential. The differential will be preserved and both Connery and Miss Perkins are only embarrassing the Administration by insisting, as the latter did this week, that they can see no reason for discrimination.

Trading Won't Work

Once the wage differential issue is out of the way, the labor bill is not expected to meet successful opposition, although delay will be encountered if opponents of the court bill try to jockey the President out of his adamant position on that issue. In some respects the Supreme Court is now more complaisant than Congress.

On His Way—Again

With the court bill, the labor bill, and government reorganization in the hopper and with legislation still to come on national planning of water use and control, this session's program is crowding a future that will see taxes and the further measures for control of business hinted at in the President's message this week held over on the calendar. Adjournment will intervene but there will be no holiday in government. Roosevelt is on the march.

A Prime Embarrassment

If it were true that a Republican started the story that the President would appoint Democratic Leader Robinson to the Supreme Court in place of Justice Van Devanter, that Republican would be the logical candidate for chairman of the G.O.P. National Committee, if not for President. That little idea has played more hob with the White House and the New Deal than anything which has emanated from the Republican camp since 1928. It almost looks as though the President will have to appoint Robinson, though everybody knows he would much rather appoint any one of a dozen young men. Unfortunately for Republican hopes, however, it strongly appears that the originator of this hair shirt for the President was not a Republican, but a Democrat with a grudge.

Free Hand for Hopkins

Harry Hopkins will get his \$1,500,000 with few if any earmarkings, despite the antics of congressmen who, like children trimming a Christmas tree, hung amendment after amendment on the relief bill until more than one-third of the sum was allocated to specific purposes. It was a grand chance to demonstrate fealty to local interests without running afoul of the economy drive, since the money will be spent anyway. But Hopkins can demonstrate that even the billion-and-a-half is not enough and that, unless the ante is raised, he must be left free to spend where the most jobs will result.

Jimmie Makes Trouble

James Roosevelt is getting in the hair of a good many congressmen, not to mention members of new



Bellevue-Stratford Hotel, Philadelphia

PROVIDE BALANCED HEAT IN BELLEVUE-STRATFORD

World-Famous Philadelphia Hotel
Carries Out Webster Heating
Modernization Program

PERFECT COMFORT FOR GUESTS

Philadelphia, Pa.—The world-famous Bellevue-Stratford Hotel took advantage of the opportunity to provide better heating service for guests by installing the Webster Moderator System of Steam Heating early in 1936.

Because the Webster Moderator System supplies continuous mild heat to each of the Bellevue-Stratford's 2,518 radiators, there is no on-and-off heating with its alternate "cold 70" and over-heating. Room temperatures are adequate at all times regardless of changes in outdoor weather conditions.

F. J. Malloy, Chief Engineer of the Bellevue-Stratford, states: "Our chief concern has always been to provide perfect heating comfort for guests regardless of the severity of the weather. With the Webster Moderator System, we have achieved that result."

Although better accommodations for guests was their principal objective, performance records show that the Bellevue-Stratford substantially reduced the cost of heating by installing the Webster Moderator System.

Prior to modernization, Webster engineers estimated that coal consumption would be reduced 150 tons during March and April, 1936, the period set aside for the working out of operating procedure. Just how accurate this estimate proved to be is shown by the fact that actual fuel savings during March and April, 1936, amounted to 154 tons.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating. Representatives in 60 principal U. S. Cities—Est. 1888

boards and commissions. The point is that James seems to think a chief perquisite of his White House secretarial job is the selection of secretaries for new New Deal agencies. Time after time the politicians have lined up something with Farley only to get a stop order from the executive mansion and later to see a pal of Jimmy's get the job. Latest case is the naming of a classmate of Son James as secretary of the Maritime Commission. Every time this happens each senator or representative who had a candidate thinks he was thwarted by James. So each appointment results in half a dozen sore-heads.

Extend Guffey Deadline

Promulgation of the bituminous coal code provided by the Guffey Act has been set back to June 21 to give operators time to accept it and obtain exemption from the 9½% tax imposed upon non-code members. Delay was due to excess time required in printing the code and acceptance forms which are now about ready for distribution. The Coal Commission has ordered the organization meetings in the 23 administration districts between June 21 and June 25.

Railroad Retirement Sure

Enactment of a compromise railroad retirement bill this session is assured. Passage in both houses is waiting only upon committee reports. Drafted to overcome the Supreme Court's objections to the original measure, the bill is cleared of practically all constitutional doubts by the court's social security decision.

Outlawing Private Holdings

Rep. Patman's committee of 126 is putting the finishing touches on his bill for government purchase of Federal Reserve Bank stock. The Administration has turned thumbs down on banking legislation this session, but the Patman bill will furnish its own propaganda preparatory to its consideration next year. Private ownership of this stock gives politicians a plausible point on which to harp, although the banks have a small voice in the formulation of fiscal policy.

Safety-at-Sea Okayed

Cargo ship owners will install automatic radio SOS receivers rather than employ 24-hour operators. The Safety-at-Sea Act, just signed by the President, gives them their choice. The new law, an amendment to the Communications Act of 1934, carries out the London safety treaty of 1929, ratified last year. Great Lakes shipping is exempt for the present, but will be further studied.

Question Power Cost Cuts

Revision of Boulder Dam power contracts, for which purchasers have requested legislative sanction in a rider to the Bonneville bill, will not have easy sledding. Upper Basin states are ganging up against it and even Arizona, at first acquiescent, is backsliding. Their intuition tells them that lower power rates will mean less gravy for them, despite the power buyers' whispers that only Uncle Sam's pocketbook will be affected.

For Checking Reorganizations

President Roosevelt will have a lot of holders of scaled-down and wiped-out bonds with him in the move, sponsored by Rep. Lea of California, to have the government supervise corporation reorganizations. The President is not alone in thinking that selfish motives not in line with the interests of the security holders have often dominated new set-ups.

No Plan for Itinerants

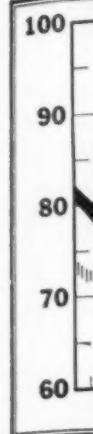
Although employment offices, public works, and unionization may help a little, the problem of caring for the migratory casual laborer who appears from nowhere to harvest beets, can salmon, or perform other unskilled tasks will only be solved by slow economic changes that will eliminate the need for him. Such is the pessimistic conclusion reached by WPA's division of social research. Meanwhile, federal relief is the only palliative since local charity begins—and ends—at home.

Gold Mission?

Straws in the wind indicate that roving Ambassador Norman Davis' last assignment was 2% sugar and 98% gold and foreign trade. An agreement possibly was reached under which heavier purchases of gold will be made by European central banks. Increased purchases by the British and Dutch are thought to be a part of the new understanding.

Politics and Appropriations

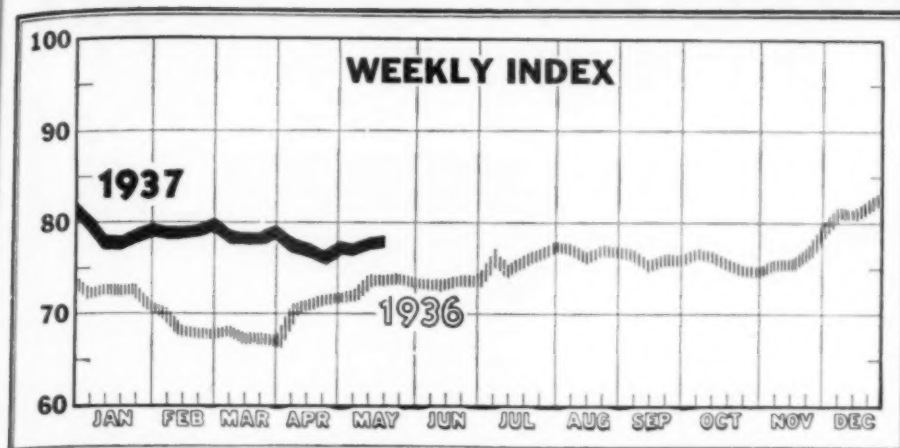
A sidelight on the manipulation of appropriations under the guise of economy is furnished by the Senate Appropriation Committee's action in eliminating funds for continuing investigation by the Food & Drug Administration of the possibly harmful effects of spray residues on fruits and vegetables, after having spent \$80,000 on two years' work. This was engineered by Rep. Cannon, of Missouri, who succeeded in obtaining \$50,000 for a "fair" investigation by the Public Health Service. And then, as a sop to the Food & Drug Administration, \$50,000 was added to its enforcement appropriation, already cut by \$100,000.



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BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



The Figures

Latest Week	*78.6
Preceding Week	†78.3
Month Ago	76.9
Year Ago	74.5
Average 1932-36	64.5

PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	91.0	90.0	92.3	67.9	45.9
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$10,194	\$10,482	\$9,023	\$8,977	\$5,227
Engineering Construction Awards (<i>Engineering News-Record</i> , 4-wk. daily av.)	\$0,792	\$9,069	\$7,595	\$5,886	\$4,332
*Bituminous Coal (daily average, 1,000 tons).....	1,197	†1,163	1,041	1,126	935
*Electric Power (million kw.-hr.).....	2,199	2,195	2,188	1,955	1,644

TRADE

Total Carloadings (daily average, 1,000 cars).....	129	128	125	114	97
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	82	84	74	66
*Check Payments (outside N. Y. City, millions).....	\$4,660	\$4,401	\$4,826	\$4,072	\$3,355
*Money in Circulation (Wednesday series, millions).....	\$6,399	\$6,405	\$6,388	\$5,896	\$5,557

PRICES (Average for the week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.32	\$1.30	\$1.37	\$0.94	\$0.80
Cotton (middling, New York, lb.).....	13.26¢	13.21¢	13.73¢	11.72¢	9.98¢
Iron and Steel (Steel, composite, ton).....	\$39.97	\$40.05	\$40.36	\$32.87	\$31.19
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.000¢	14.000¢	14.500¢	9.500¢	7.860¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	208.6	207.0	212.1	164.5	131.6

FINANCE

Bond Yields (Standard Statistics, average 45 bonds).....	4.39%	4.40%	4.47%	4.34%	5.35%
Interest Rates—Call Loans, Renewal, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.15%
Interest Rates—Prime Commercial Paper, N. Y. City (4-6 months).....	1.00%	1.00%	1.00%	.75%	1.53%
Business Failures (Dun and Bradstreet, number).....	187	190	191	174	348

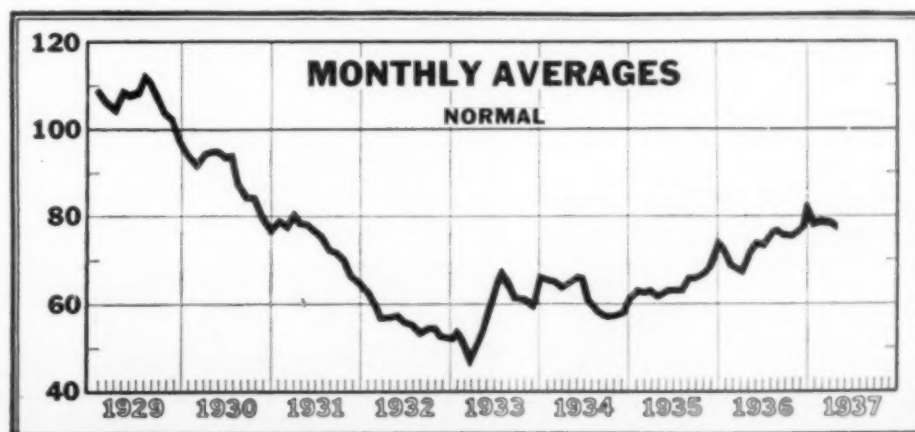
BANKING (Millions of dollars)

Total Federal Reserve Credit Outstanding (Wednesday series).....	2,565	2,576	2,523	2,470	2,334
Excess Reserves, all member banks (Wednesday series).....	910	940	1,587	2,859	1,494
Total Loans and Investments, reporting member banks.....	22,177	22,205	22,268	21,799	19,208
Commercial and Agricultural Loans, reporting member banks.....	4,189	4,183	§	§	§
Security Loans, reporting member banks.....	2,080	2,045	§	§	§
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.....	9,476	9,487	9,617	10,153	§
Other Securities Held, reporting member banks.....	3,201	†3,187	3,249	3,293	§

*Factor in Business Week Index. *Preliminary, Week Ended May 22. †Revised. § New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of *Business Week's* index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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CUT COST OF PAYROLL ACCOUNTING IN FOUR BIG WAYS



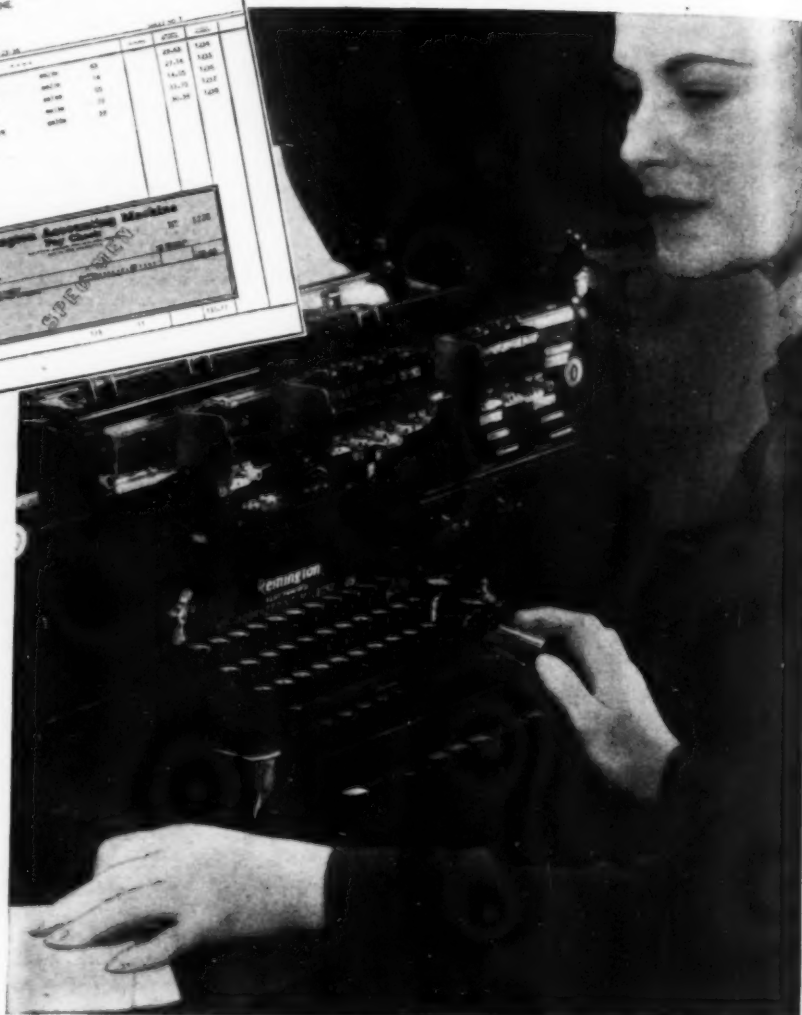
WRITE FOUR COMPLETE PAYROLL RECORDS IN ONE SIMPLE, SPEED OPERATION WITH ABSOLUTE ACCURACY

PREPARE simultaneously at one writing (1) employees' wage records; (2) employees' deduction stubs; (3) employees' pay checks or envelopes; (4) payroll journal. You can do it faster . . . easier . . . and with greater accuracy on the Remington Rand Model "85". The proven, extra economies of this completely electrified payroll machine, help you avoid the extra costs of meeting the new accounting requirements, necessitated by recent legislation and increased business activity.

To help solve your Social Security problems, Remington Rand has prepared a new manual on Payroll Accounting. It describes, with detailed exhibits, the four most efficient methods of handling payrolls. Write on your business letterhead for your free copy today to Remington Rand Inc., Buffalo, New York.

Your local Remington Rand man will gladly make a free analysis of your payroll procedure. Prepared with a complete digest of Social Security problems, his payroll analysis may save you hundreds of dollars every year.

Leading firms in your locality also use the Remington Rand "85" to save time and money handling accounts receivable and payable, sales and expense distribution, and all types of bank accounting. Ask your local Remington Rand man to show you the list. In discussing your company's problems, remember the Remington Rand man represents the most complete line of bookkeeping machines and systems for the smallest, up to the largest of companies. He is daily solving similar problems for all types of business.



SOLVE YOUR PROBLEMS *with the only machine* that gives these 9 FEATURES at any price

- 1 Complete electrification of all alphabet and numeral keys, and of carriage.
- 2 Complete flexibility of registers, providing extra accumulations without rebuilding or making machine obsolete. Number of additional registers limited only by length of carriage and capacity of registers.
- 3 All registers visible for columnar accumulation and cross computation. All registers equipped with direct subtraction, providing contra-entries within specific column, and instant correction of entries made.
- 4 Complete automatic tabulation from column to column.
- 5 Complete visibility of writing line, permitting instant checking of every entry posted.
- 6 Automatic line proof of each individual entry provides instant audit.
- 7 Independent control of each related form to be prepared simultaneously.
- 8 Uniform legibility of all records prepared simultaneously.
- 9 Made by Remington Rand Inc., the only single manufacturer that can supply complete accounting systems and assume complete responsibility.

OK..it's from **Remington Rand**

MANUFACTURERS OF ALL TYPES OF OFFICE MACHINES AND SYSTEMS EQUIPMENT. PROVIDING COMPLETE INSTALLATION AND FULL RESPONSIBILITY.

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NG The Business Outlook

BUSINESS sentiment has gone down a notch or two this week. The labor situation in independent steel mills and the preparations for the unionization drive on Ford dimmed the labor side of the business picture. Closing of several of Berkshire's plants in the fine spinning industry made that division a bit jittery. Retail sales throughout the country haven't been as buoyant as merchants expected, and stocks bought last fall under the price rise threat are now resting heavily on store shelves. Purchasing agents who met this week to discuss their problems took a cautious attitude on buying prospects over the next few months.

Textiles Get Consolation

Furthermore, events on the Potomac this week did little to cheer the business world. Not only did the Supreme Court end any hope of lifting tax burdens, by validating the Social Security Act, but the Administration pushed forward with legislation to put control of wage minimums and hours of work in the hands of a new labor board. The textile industry alone probably got some consolation out of the turn of events, for the new labor legislation will probably mean the end of special treatment for the textile field as proposed in the Ellenbogen bill.

Steel Output Steady

Outside of these developments, the business situation remains much as in recent weeks. The feverish activity has gone. The summer season with its normal slackening of pace is at hand. But steel mills expect to hold close to the 90% of capacity line till July, barring prolonged strikes in independent mills and despite the fact that new business isn't up to the boom volume of April.

New High for Trucks

Motor assemblies started to slip last week in normal seasonal fashion after hitting the highest schedules since 1929 days. May production undoubtedly exceeded April's official total of 553,415, but the margin appears to be less than had been expected. Weekly estimates indicate that the 600,000 mark of the spring months of 1929 was not exceeded. April passenger car sales are estimated just about on a par with a year ago, but truck sales seem to have set a new high.

Conflict on Construction

The construction situation in May is beclouded by conflicting reports from the two leading reporting agencies. *Engineering News-Record*,

NEW CREDIT GAUGE

A new indicator of what business and agriculture are borrowing for commercial operations became available this week when the Federal Reserve member banks who report weekly began segregating their loans on the basis of "purpose" of the borrower.

Under the heading, "Commercial, Industrial, and Agricultural Loans," the banks now show the amount of money advanced either as secured or unsecured accommodation. Labeled "Commercial and Industrial loans," Business Week (page 9) begins this week to substitute this statistic for the old "Commercial Loans," which comprised commercial paper, acceptances, loans to banks, and "other loans." The new figure indicates the extent to which business generally is using purely commercial credit.

As an index to speculative credit, the Reserve Member banks now show loans made solely for the purpose of carrying securities, supplanting the old datum which included all loans on securities, regardless of whether the borrowed funds were employed for business purposes or for personal expenditures. The new statistics on speculative loans will be published by Business Week under the heading "Security Loans."

which gathers data on heavy engineering contracts in 48 states (this means it excludes the small residential field but includes apartment houses and hotels), has just reported the biggest May volume since 1930, substantially ahead of both April, 1937, and May of last year. F. W. Dodge, which covers all branches of construction but only in the 37 states east of the Rockies, reports contracts for the first half of May running well below both last month and last

year. Hence the conclusions to be drawn depend upon which series of information is examined. Final judgment will have to be reserved until the Dodge records are completed for the month.

Rise in Oil Prices

Following close upon the announcement that Texas would cut crude oil output in June to levels recommended by the U.S. Bureau of Mines, comes the 8¢ a bbl. boost in oil prices paid by Magnolia Petroleum, a Socony-Vacuum subsidiary. The new price of \$1.35 a bbl. was explained by company officials as an offset to special premiums above posted prices being offered by other companies for East Texas crude. It is the second advance for Texas this year. Oil producers in the Mid-Continent area look hopefully for a spread of price-lifting to the Oklahoma and Kansas area. These states cut allowable output to levels recommended by the federal government in May.

Beer Near New Record

Brewers regarded the April sales figures with satisfaction. These indicated that the public was taking to beer with something of the pre-prohibition fervor, consuming only a half million barrels less than the April 1913, peak of five million. In the first four months, normally the poorest of the year, sales have gained 15% over last year. Packaged beer now constitutes 42% of all sales, against 35% last year. Whiskey distillers started to curtail their output in April. Stocks have been built up to staggering heights over the past year. It shouldn't be long now before four-year-old stock is available at prices that are well below recent levels.

Heavy Retail Inventories

Department stores in the metropolitan New York area were a bit startled to find their inventories in many departments were substantially higher than a year ago, indicative of heavy buying last fall on the price rise scare and the slowness with which consumers have been buying in recent weeks of unfavorable weather. Furniture inventories were up 50%, furs 58%, books and magazines 49%, men's hats and caps 134%. On the other hand, the public has been buying such luxury items as sporting goods and cameras in 51% greater volume than last year, pictures and mirrors by 45%, jewelry 35%, books 20%. Washing machine sales in April for the country as a whole hit the second highest point in the industry's history, 24% ahead of a year ago.

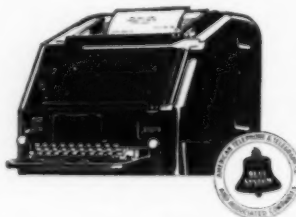


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BUSINESS WEEK

MAY 29, 1937

Wage-Hour Bill Seems Winner

Only chance of beating it is by stirring up farmers' opposition. It governs industries with 12,000,000 workers; doesn't affect local lines.

PRESIDENT ROOSEVELT'S minimum-wage and maximum-hour bill has a strong probability of enactment. With the support of John L. Lewis and the Committee for Industrial Organization, it will be held up in the House only by the formality of hearings. In the Senate, the fight over the court bill will delay its passage indefinitely.

Otherwise the only chance of effective opposition seen by Washington observers is the pale opportunity presented to industry to convince farmers that after a long line of court decisions on behalf of labor, here is yet another labor bill, advanced before the legality of the Agricultural Adjustment Administration is reestablished, that will increase the cost of goods that farmers buy even though, as claimed by the President, it strengthens the market for what they have to sell.

The President's long-awaited legislative drive ignores the method of approach suggested by Donald Richberg prior to the court's grant to the federal government of far-reaching powers under the commerce clause, when the ex-NRA administrator proposed amend-

ment of the anti-trust laws to define and prohibit unfair competitive practices, including oppressive wages and hours and the employment of child labor.

Speculation in Washington favors the expectation that the President will follow through next session with revision of the anti-trust laws to cope more effectively with monopolistic and other trade practices.

Built on an interstate framework, the bill would apply to industries already covered by the National Labor Relations Act that, according to an unofficial estimate, employ 12,000,000 workers. It would have greater effect in some industries than others, depending on prevailing wage and hour conditions. The Administration's idea is that a foundation for wages and hours is needed as it does not expect union organization to reach the full scope given to collective bargaining by the Supreme Court's decision on the Wagner Act.

Not Quite the Whole Hog

Although the bill goes further than perhaps even the rebirth of the Supreme Court will allow, it does not extend to the multitude of local trades and services. In a message timed with introduction of the bill, the President urged the state governments to pick up regulation where the federal government leaves off.

Under the bill, the New Deal claims the same extent of authority to establish minimum wages and maximum hours that it gained in the National Labor Relations Act to compel collective bargaining. Barring of goods from interstate commerce would be the penalty for violating orders of a Labor Standards Board giving effect to provisions outlawing substandard labor conditions, which are defined as an oppressive or substandard wage or work week, employment of child labor under 16 years of age, and employment of strike breakers and spies. In the latter the Administration skirts close to ruling out of interstate markets those employers who refuse to their workers the right of self-organization and collective bargaining.

The jurisdiction asserted on behalf of the board is coextensive with the

stretching of the commerce clause of the Constitution by the Supreme Court. Why employment of workers under substandard conditions directly affects interstate commerce is set forth in seven points, any one or any combination of which is intended to clinch the constitutionality of the bill designed to replace the National Industrial Recovery Act.

Several Plans Considered

Taken in charge by Sen. Black and Rep. Connery, chairmen of the labor committees, the bill is the product of three drafts written in Administration quarters that bid for Roosevelt's preference. Two prescribed a 40-hour week. In the adopted form the standard is adjustable to conditions in an individual industry, the object being to arrive at a fair competitive level. The other draft would have prescribed a flat 40 hours regardless of fitness to any industry, as a means of sopping up unemployment. A third version would have established a 36-hour standard for flexible application. Sec. Perkins sought to put administration of the bill in her department, but the recommendation of other administration groups for an independent board prevailed.

The several versions of the bill which passed currency as the Administration's plan account for the confusion that prevailed even after the bill was turned over to congressional leaders. It then



Harris & Ewing

LET'S GO, JOE—F.D.R. calls across the page to Majority Leader Robinson to get to work on wages and hours. Meanwhile, Joe awaits call to the Supreme Court.



Harris & Ewing

ANXIOUS TO HEAR—But Robinson has good reason to doubt if the President has his heart in summoning him to the Bench. The Arkansan is 64 and Washington says that his liberalism is dubious.

specified a minimum wage of 40¢ an hour and a maximum work week of 40 hours. In a last-minute shift in strategy, the President told the Labor Committee chairmen to write in their own figures as a starter. Black, the champion of the 30-hour week, and Connery, who doesn't have any set convictions, did so, but later decided to let the bill go in blank form to joint hearings by House and Senate committees next week. To which the President was entirely agreeable as a gracious gesture to Congress that lately has shown a stubborn temper.

Profusion Brings Confusion

To describe the bill as a "skeleton" is a misnomer, however, as its elaborate provisions have been drafted with infinite care, and the wage and work week standards finally written into it by Congress may be shoved up or down by the administrative board as to all or any class of employees, in line with maintaining a standard of living necessary for health and efficiency, without unreasonably curtailing opportunity for employment.

The administrative board may fix a minimum fair wage and a maximum reasonable work week in any occupation upon a finding that to a substantial extent, due to the inadequacy or ineffectiveness of the facilities for collective bargaining, the wages paid are lower and the hours longer than fair or reasonable, or that the wages paid or hours maintained by one or more employers in such occupation threatens to undermine fair labor standards maintained by competitors. The minimum fair wage fixed by the board in such cases would be limited to a maximum per hour and per year, suggested at 80¢ and \$1,200 in the draft first made public but later deleted.

Imported Goods Won't Count

The bill nowhere refers specifically to a North-and-South wage differential but it will not go through without an affirmative declaration on this point, which will be accepted by the Administration.

Included in the bill, as introduced by Rep. Connery, is a provision to require, at the board's discretion, that imported goods conform to the same labor standards as domestic goods. This is an old phobia of the House labor chairman and, in Administration quarters, it was repeatedly stated "that thing must come out."

Exemption from the law may be set up, at the board's option, for employers of less than a certain number of workers, to be fixed by Congress. This has been variously suggested at 15 or 20. Subject to contrary action by the board, maintenance of a substandard work week would be ignored if employees are paid time-and-a-half for overtime.

Who'll Be Hit?

Table shows how industries rank in wages and hours as Congress considers new labor bill.

WHEN and if a new federal labor board is established to put a top limit on working hours and a lower limit on wage rates, it will have to determine where such maxima and minima are or are not now observed by a special survey. Practically all the information currently available on hours and earnings in leading industries is presented in the adjoining table, compiled from records of the U. S. Bureau of Labor Statistics.

Covers All Classes

The data on hours probably tells the story pretty accurately for all classes of labor. The data on hourly earnings falls short of perfection because it embraces the highly skilled as well as unskilled workers, and therefore conceals the lower brackets. However, it's a fairly safe assumption that those industries whose average hourly earnings are around the 40¢-an-hour level (implied in recent discussions of the labor bill as the lower limit to be established) will have to jack up rates on a substantial proportion of their employees.

Data gathered by the National Industrial Conference Board each month for 27 industries, throws additional light on the subject of where rates are likely to be affected, because it classifies wage earners by skill and sex. Highly skilled labor is not likely to benefit by the proposed legislation unless it is able to maintain its former margins above the unskilled. But unskilled help and women stand to gain.

An examination of the board's records reveals that in March, 1937, unskilled male wage earners in the boot and shoe, furniture, hosiery and knit goods, lumber and millwork industries earned less than 45¢-an-hour on the average. For women, wage boosts are likely to come in paper and pulp, paper products, furniture, hosiery and knit goods, silk, boot and shoe industries where the average earnings for the month of March were close to or below the 40¢ line.

Regional Problem

Unless regional differences were approved, the Southern states would be hit more severely by the proposed new labor standards than Northern ones. A recent study of entrance rates paid adult male common labor in 20 industries reflects the wide gap between the two sections. In manufacturing plants, the North offered beginners 45.1¢ per hour; the South, 32.6¢; in public utilities, it was 46.6¢ against 33.7¢; in building construction, the difference was 55.2¢ against 38.7¢.

Hours and Earnings

(As of March, 1937)

	Average Hours per Week	Average Hourly Earnings
Iron and steel.....	43.2	69.0
Blast furnaces, etc.....	43.5	74.8
Cast-iron pipe.....	40.7	52.2
Cutlery.....	43.5	56.5
Forgings.....	44.9	68.9
Hardware.....	45.3	61.1
Heating apparatus.....	44.5	64.0
Plumbers' supplies.....	43.3	60.1
Structural metalwork.....	43.0	63.8
Tin cans.....	40.6	57.2
Tools.....	45.1	56.3
Machinery.....	43.2	65.8
Agricultural implements.....	41.7	66.6
Cash registers, etc.....	42.7	78.4
Electrical machinery.....	41.7	66.4
Engines, turbines, tractors.....	41.4	75.1
Foundry products.....	44.9	64.6
Machine tools.....	46.9	69.1
Radios and phonographs.....	36.5	56.0
Textile machinery.....	45.6	62.5
Typewriters.....	44.1	60.7
Transportation equipment.....	39.2	82.8
Aircraft.....	45.3	62.6
Automobiles.....	38.9	85.7
Cars, railroad.....	41.0	67.0
Locomotives.....	43.8	67.0
Shipbuilding.....	38.1	79.0
Railroad repair shops.....	44.2	68.9
Nonferrous metals.....	42.6	61.1
Aluminum manufactures.....	43.0	61.3
Brass, bronze, copper.....	43.7	66.6
Clocks, watches.....	43.0	53.6
Jewelry.....	39.3	59.8
Silverware, plated ware.....	41.8	61.4
Smelting, refining.....	42.7	63.9
Stamped, enameled ware.....	42.0	54.8
Lumber and allied products.....	43.3	48.6
Furniture.....	43.1	48.8
Lumber: Millwork.....	44.8	48.3
Lumber: Sawmills.....	43.1	48.6
Stone, clay, glass.....	40.4	59.5
Brick, etc.....	43.3	49.4
Cement.....	39.1	62.2
Glass.....	38.4	65.6
Pottery.....	43.2	56.0
Textiles.....	38.2	48.1
Carpets and rugs.....	40.2	59.1
Cotton goods.....	39.1	59.0
Cotton small wares.....	41.2	45.9
Dyeing, finishing.....	40.3	54.2
Hats, fur-felt.....	37.4	70.4
Knit goods.....	38.5	47.3
Silk, rayon goods.....	38.1	43.5
Woolen and worsted.....	37.8	53.5
Clothing, men's.....	37.4	57.0
Clothing, women's.....	35.5	57.0
Corsets.....	38.9	44.5
Men's furnishings.....	39.0	33.6
Millinery.....	43.4	64.2
Shirts and collars.....	37.5	37.5
Leather.....	40.9	52.6
Boots and shoes.....	40.9	50.9
Leather.....	40.9	59.1
Food.....	42.0	56.5
Baking.....	43.8	55.8
Beverages.....	40.7	80.7
Butter.....	48.1	44.6
Canning.....	37.5	44.7
Confectionery.....	39.7	43.6
Flour.....	43.4	54.9
Ice cream.....	47.6	57.6
Meat packing.....	41.0	60.8
Miscellaneous Industries.....		
Tobacco, snuff.....	37.1	46.2
Cigars, cigarettes.....	36.7	42.4
Paper and pulp.....	43.7	56.8
Book and job printing.....	40.5	75.7
Newspapers, periodicals.....	37.7	94.2
Chemicals.....	40.9	71.0
Cottonseed.....	49.3	24.1
Rayon.....	39.8	58.0
Fertilizers.....	44.9	34.3
Paints, varnishes.....	42.9	63.5
Soap.....	40.9	66.7
Petroleum refining.....	36.5	88.3
Rubber boots.....	39.9	56.2
Rubber goods.....	41.4	57.1
Rubber tires, tubes.....	35.1	93.0
Anthracite mining.....	28.5	78.8
Bituminous mining.....	33.8	78.6
Metalliferous mining.....	45.1	68.2
Quarrying.....	42.0	50.5
Crude-petroleum.....	39.8	80.5
Telephone, telegraph.....	39.1	81.8
Electric light, gas.....	40.8	81.4
Electric-tr., motor-bus.....	46.4	66.4
Wholesale trade.....	42.9	67.5
Retail trade.....	43.5	53.5
Hotels (year-round).....	48.3	29.7
Laundries.....	43.0	38.0
Dyeing, cleaning.....	42.5	45.5
Building construction.....	31.5	88.2

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International

Travel Season Booked Solid

Vacation plans indicate people are going further this year, staying longer, spending more. Resorts, railroads, steamship lines, and tourist agencies report record demand.

"This is going to be the biggest travel season on record," predicts Thos. Cook & Son—Wagons-Lits Inc. The American Express Co. back this up with the report that, so far this year, a greater volume of travel checks have been sold (and to a record number of customers) than in any comparable period in the company's history.

There are other reasons for the broad grins on the faces of travel agents, and the stir in resort hotels and booking offices from Bar Harbor to San Diego. "People are going further, staying longer, spending more. They are planning ahead, asking for the best. Even Dad seems to be getting away for a full holiday this year."

Living costs are up, but in general travel prices have not changed much from last year. Rail fares are about the same. Special excursion rates are offered on a little greater variety of trips.

Air Rates Lower

The air lines are still offering a 10% reduction on round-trip tickets, and on May 1 reduced rates came into effect. Transcontinental one-way tickets dropped under the new arrangement from \$160 to \$149.95.

Steamship fares are higher on some of the special cruises, and there is a greater demand for de luxe accommodations, but by and large the traveling public will pay little more to get to Europe or the Orient this year than in any of the last two or three.

Hotel rates are up an average of 7%, according to *Hotel Management*, but resorts have, in many cases, decided that it is necessary to boost prices as much as 15% because of the increased costs.

One feature of the season is the insistent demand for "all-expense" vacations. Travel agents and transport lines both report it as a feature of this year's business. It doesn't mean that all inquiries are for minimum rates.

Paris and Cruises Popular

There's no outstanding travel attraction this year. In Europe, since the Coronation, the Paris Exposition is the center of attraction, but demand for Mediterranean travel has kept both the Italian and the American Export Lines heavily booked all spring, while the four North Cape cruises have been in great demand since they were announced.

At home, there are record demands for accommodations in the national parks, for the newly-popular Alaska tours and travel in Mexico and Canada. The Alaska Steamship Co. offers 9-day cruises from Seattle to Totemland for as little as \$95. Sixteen-day tours to Mexico from \$236 are attracting many travelers who are not willing to drive down to the Mexican capital over the new highway. All-expense air trips to Mexico, for the 2-week vacationer, are available now for less than \$385.

The railroads are universally optimis-

tic over the summer travel outlook. Western roads estimate that traffic will be up about 15% this year, with the national parks pulling unusually large crowds. Glacier Park expects to entertain more than last year's record of 210,072 visitors. Californians always head the list here, but Illinois, New York, and Minnesota sent large groups last year.

Sport trains will be a feature on many eastern railroads. These were the lines that introduced "mystery tours", weekend bicycle excursions, and recently (*BW*—May 22 '37, p. 51) fold-boat trains. Both the North Western and the Milwaukee are planning weekend excursions out of Chicago, and the Milwaukee will introduce bicycle trains in June on an experimental basis.

Niagara Falls continues to be one of the most popular of American travel spots, but Miami and Havana airline officials claim that the Cuban capital is a genuine rival for honeymooners these days. Three huge Clipper planes fly daily between Miami and Havana on 100-minute schedules. Average daily business is 180 passengers. Fare now is \$35 for the round trip, compared with \$110 when the service was inaugurated.

Oil Firms Run Travel Bureaus

A number of the oil companies run their own travel bureaus, but all are agreed that the highway-tour business this year is likely to run well ahead of last year—probably as much as 20%—though last year was the biggest in their history from the travel point of view. Trailers are in part responsible for the longer trips which people are planning for this summer.

Not all automobile travelers will stay at home. The foreign division of the American Automobile Association reports that 1700 cars have already been

International



shipped abroad by travelers who will follow trails in Europe. This compares with about 1100 in the same period last year, and is a record. Cost of shipping a car to Europe is \$105 one way on a fast liner, or \$160 for the round trip. On slow vessels, the rates are \$85 and \$135. This applies to the popular Ford-Chevrolet-Plymouth type of car. Heavier cars pay more.

Though people are spending more for travel this summer, the real de luxe business comes in the winter season. There will be four world cruises next winter — Raymond-Whitcomb having added the *Bremen* to the usual cruises by the *Franconia*, *Reliance*, and *Empress of Britain*. Minimum rate on the *Bremen*, for a 90-day cruise down the east coast to South America, across to Cape Town, and on to India and the Far East, is \$2,400.

Two other transatlantic queens will enter the cruise service for at least one voyage in the off-season. The American Express has chartered the *Rex* of the Italian Line for a 25-day cruise to Rio de Janeiro, sailing from New York on Jan. 29, and already has reservations, only five of which were for "minimum" accommodations. Raymond-Whitcomb has scheduled the French Line's transatlantic speed queen, *Normandie*, also for a cruise to Rio. Prices on these two cruises are not yet quoted but are likely to run around \$35 a day, which is comparable to select winter hotel rates.

Rail Shops Union

Independent shop crafts of six roads get together, plan resistance to C.I.O. and A.F.L. organizers.

ONE big industry which neither the American Federation of Labor nor the Committee for Industrial Organization has been able to make much headway in, recently, is railroading. This week the news leaked out that, if and when the outside organizers try to break into the railroad shops, they will find determined opposition waiting for them.

After the ill-fated strike of 1922, when 400,000 members of shop crafts walked out but failed to paralyze the railroads, which promptly hired new workers, independent unions were set up in many places. One of the strongest has been the Santa Fe shopmen's union, headquartered at Topeka, Kan., with Clyde Sheaffer as executive secretary.

For *Business Week*, Sheaffer has confirmed the report of a new organization — an affiliation of independent shop craft groups employed by six big roads, with a total membership estimated by the organizers at 74,500. Sheaffer is chairman, and the first meeting of group representatives was held in Chicago this month.

Executives intended to keep the news under cover until they had canvassed shop groups in 40 other railroads, and at present are busy lining up prospects. First members come from the Pennsylvania, Santa Fe, Louisville & Nashville, Great Northern, St. Louis & San Fran-



IRVIN WORKS—William A. Irvin, president of U. S. Steel Corp., is shown breaking ground with a stainless steel spade for the new \$45,000,000 "Irvin Works" of the Carnegie-Illinois Steel Corp. at Millfin Township, Pa.

cisco, and the Nashville, Chattanooga & St. Louis lines. Biggest single group is the Pennsy, with about 36,000 organized shop workers; next are the Santa Fe and the L.&N., with approximately 10,000 each. Great Northern is tabbed as having 4,500, Frisco 4,500, and N.C.&St.L. 1,000.

The new organization claims legislative action is its chief goal, and cites wage figures of shopmen's helpers in company unions, which are 4¢ to 8¢ an hour higher than wages of similar workers in A.F.L. railroad craft unions, as being good reason for independence.

The Santa Fe workmen further declare that 60% of their membership own their own homes, and that the wages of skilled workers, including car men, machinists, boiler maker, blacksmiths, stationary engineers, sheet-metal workers, and electricians, are as much as 17¢ an hour higher than the A.F.L. crafts rate in other shops.

Setting Up Committee

The workers have little use for A.F.L. or C.I.O., and say that if John L. Lewis or William Green attempt to

take them over they will wish they hadn't. The shop groups were setting up a legislative committee this week, headed by T. H. Davis of the Pennsy, and including J. W. Adams of the L.&N., and Sheaffer. They want to stop unfavorable legislation, and also to seek enactment of laws favorable to independent unions, and say that wage-and-hour debates with employers will be group policy only when the subject is one of national concern.

Oil Price Rise

An 8c increase for East Texas crude puts quotations at highest point in seven years.

WHILE examining pessimistic figures that registered increasing stocks of crude oil and gasoline, the petroleum industry was startled on May 21 by announcement of a price rise in the East Texas field. Magnolia Petroleum, subsidiary of Socony-Vacuum Corp., hiked the price of crude 8¢ a bbl. The new figure made East Texas crude \$1.35 per bbl. While the move is said to be local, other Mid-Continent areas become more hopeful.

The new price puts East Texas crude at the highest figure for seven years. The last increase, in late January, raised quotations from \$1.15 to \$1.27 (*EW*—Feb 6 '37, p28). Humble Oil, subsidiary of New Jersey Standard, initiated the January move.

Several of Magnolia's rivals, including Tide Water Associated, have met the recent uppace. Favorable factors in the East Texas field encourage the hope that all purchasers will fall into line.

Texas Makes Slash

Most important was announcement of a drastic slash by Texas in production allowables for June. This followed several weeks of output in Texas and other states heavier than the U. S. Bureau of Mines' estimate of needs. Stocks began to mount, and this fact combined with a disappointing rate of consumption increase to discourage talk of better prices. It is apparent that Texas made the cut in June production to prevent a softening of the market. Other states have indicated a disposition to accept the Texas philosophy.

Conditions in East Texas apparently justify special price treatment. For one thing, the allowables for June cut other Texas fields more drastically than East Texas. It is also pointed out that many buyers in East Texas were paying premiums over the posted price, thereby taking connections from companies which refused to pay the extras. Magnolia's action is said to be a frank answer to the tactics of unofficial price raisers.

S.W.O.C. calls strike against three big independents. Ford faces tough battle. G.M. prepares for new agreement, as union asks sole recognition.

General Motors also will have some demands, principally for rigid observance of contract and for guarantee

Ford Workers

UNIONISM NOT FORDISM

Now is the time to Organize!
The Wagner Bill is behind you!
Now get behind yourselves!

General Motors Workers, Chrysler Workers, Briggs Workers have won higher wages and better working conditions. 300,000 automobile workers are marching forward under the banner of the United Automobile Workers Union.

JOIN NOW IN THE MARCH AND WIN:

Higher Wages and Better Working Conditions
Stop Speed-up by Union Supervision
6 Hour Day, 8 Dollars Minimum Pay
Job Security and a Seniority Rights
End of Ford Service System
Union Recognition

Organize and be Recognized - JOIN NOW!

<i>Union Headquarters</i>	Michigan Avenue at Adams
<i>See Ford Workers</i>	Vesper Highway West, and Lakeside

Sign up at Union Headquarters for Ford Workers at any office of the United Automobile Workers

1122 City of Detroit	5815 Am. Council at Plymouth
2441 Michigan at Chalmers	15108 Chalmers at Grosse
14715 Chalmers at Vernor	2377 East Ford at Russell
2441 Lakeside at Dwight	15105 - 14th Street at Michigan
15440 East Lincoln	1210 Bayview Street at Mack
15707 Mack at Lansing	724 Bayview Street
77 Village at John St.	Beacon 5895 St. Antoine St.

By Invitation of
United Automobile Workers of America

Executive No. 1

Printed by the American Graphic Co.

Dick Frankenstein, the union's best organizer in the Detroit district, heads a special organizing committee which has been set up with great care. Temporarily there will be no Ford locals, and Ford workers who want to join will be taken into the elephantine West Side local, which now has some 18,000 members from a score of plants. All other locals in the country, near

Biggest Republic plant in the Cleveland area is Corrigan, McKinney, which was acquired a year and a half ago by the corporation and which had a substantial union element at that time, although by no means bulky enough to cause management any worry. Now the local estimate is that the S.W.O.C. has built its membership up for a majority vote. Other Republic properties, some of them in Cleveland and a lot

spread over various states, are organized only partially. The union rests its hopes on the outcome at big Corrigan, McKinney.

The feeling of general business in Cleveland is one of watchful waiting and a pretty well-defined refusal to take sides, but considerable sentiment has followed the premise that if C.I.O. could take Pittsburgh, it could take Cleveland.

There are other independents, of course—Bethlehem, National, Inland, and others as yet unsigned. Bethlehem and National are plenty tough, Inland refused to sign this week. But the real heat has been applied to Republic and Youngstown.

C.I.O. Federation

Action delayed on plans for broader setup and new name. A.F.L. meets for reprisal.

ONE of the paramount questions of labor organization still was unanswered this week, although definite signs pointed to an early solution. The question is: "When will the Committee for Industrial Organization shuck off its present title and take on one more descriptive of its real nature?"

C.I.O. broke away from the American Federation of Labor to organize mass-production industries. For a few months it did just that—but for nearly a half year now it has been leading a movement of much broader possibilities.

Its plans already have been laid for

development of a federated labor movement to take in white-collar workers. The call for a national convention and redefinition of purposes, however, has not yet been issued.

One reason is obvious—the C.I.O. has its hands full and is nowhere near the "mopping up" stage in any of its big industries. Automobiles are closest to that stage, with only Ford as yet unapproached, but steel is only halfway and the textile campaign has two or three years to run at its present rate. The oil field drive is in an embryonic stage, just announced and with very little to show as gains.

Nevertheless, the C.I.O. is being pushed into action, by groups and individuals who won't wait for affiliation. And it has begun to issue provisional charters.

Meanwhile, A.F.L. is meeting in Cincinnati to "take steps," and further jurisdictional rivalry is expected before the eventual peace-piping. The A.F.L. claims membership gains of 445,179 since the C.I.O. walked out; the C.I.O. says that it has gained a round million and a half, and that it provided stimulus for A.F.L. growth.

Magazine-Radio Brag

Both media start to outvie each other in claims of growth.

AFTER a two-year lull, the magazine-radio fight has broken out on a new front, and claims and counter-claims are flying thick along Advertising Row, for

nobody can toss statistics around with quite the vigor that space and time salesmen can muster when they get mad at each other.

The National Publishers Association started this particular argument. An elaborate brochure, published a fortnight ago, claims:

(1) More than twice as many big advertisers (those who spent more than \$100,000) used magazines as used radio last year.

(2) A little over 2½ times as much was invested in magazines as in radio.

(3) More than twice as many big advertisers increased their magazine expenditures as increased radio expenditures.

(4) Radio gains were mainly among the largest advertisers, while magazines showed consistent gains through all groups. "Smaller advertisers are approaching the use of radio with considerably more caution."

Radio men, used to quoting superlatives that no other medium could match, were taken off their guard, but they have since recovered sufficiently to retort:

(1) The N.P.A. study compares magazines, including all farm papers, only with national network expenditure—slightly less than \$60,000,000. It neglects the national advertisers who used regional networks and the spot broadcasts—some of them to the tune of a million dollars.

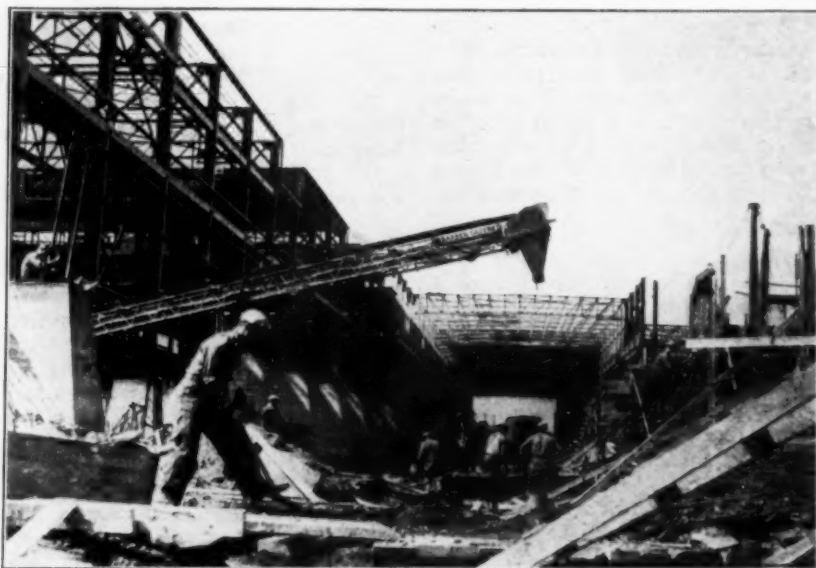
(2) The implication that small advertisers can't afford to spend money on radio would not have stood up if the study had considered the figures for national advertisers' spot broadcasting where the largest gains were made (from \$17,000,000 to \$24,000,000) and where small advertisers are chiefly represented.

(3) Many big advertisers (liquor, feminine hygiene, laxatives, etc.) can't get on the networks.

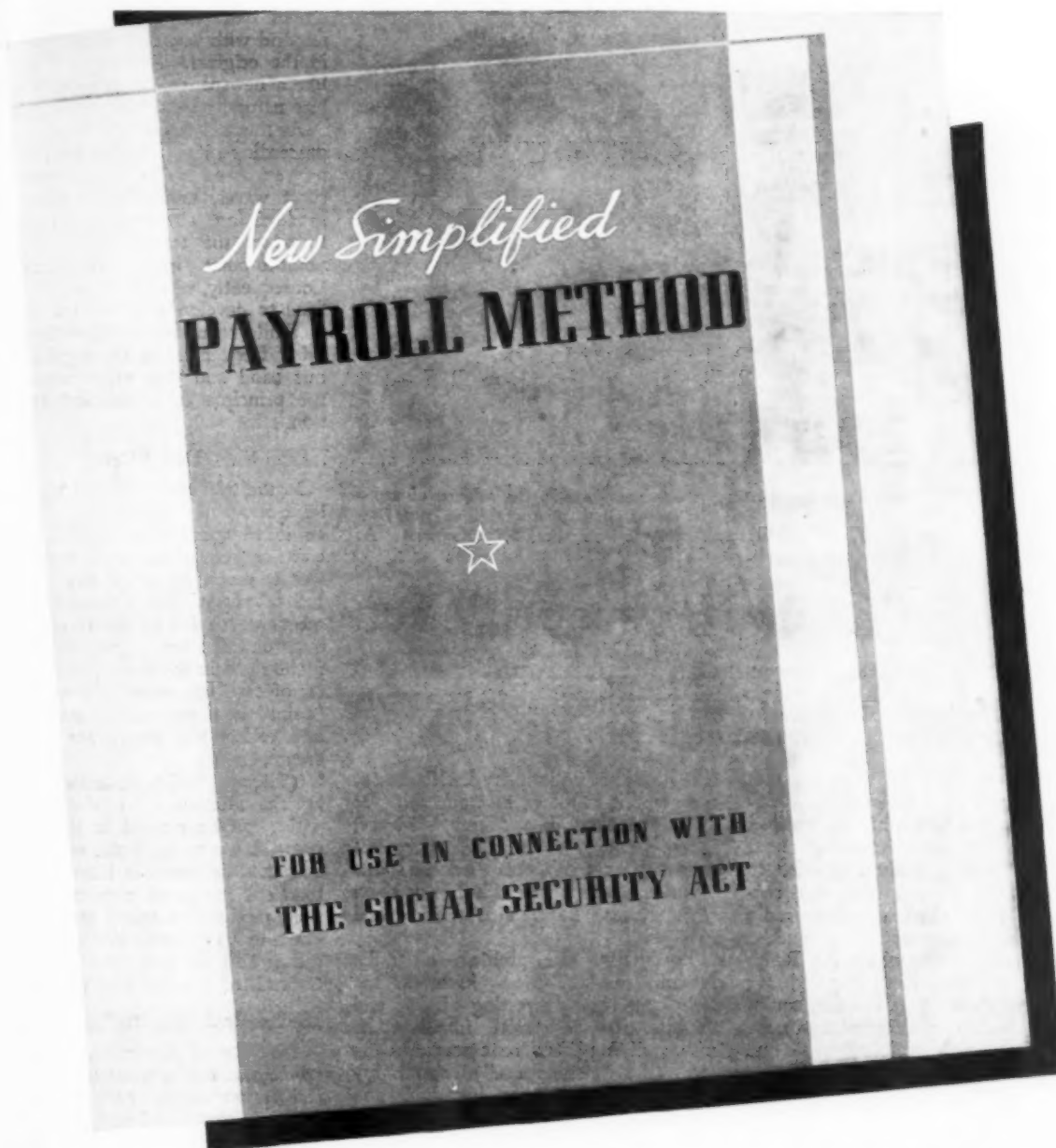
(4) Any figures involving expenditure for radio advertising must take into consideration the heavy talent costs, averaging 40% of the time charges.

Muskegon's World's Fair

MUSKEGON, MICH., bets \$100,000 that an exposition can click in a city of 70,000 population, both as a tourist attraction and a merchandising event. Exposition buildings on a 54-acre waterfront tract seek to recapture the days when Muskegon reigned as the "city that cut the lumber that built Chicago and 100 prairie towns." Spectacles will include a five-act lumberjack show with log rollers, wood choppers, and lumberjack choristers; a water ballet; a pageant with 900 characters—"Michigan Cavalcade, 'The Passing of the Pine.'" Exposition will include 3,000 linear feet of booth space. Official name is Muskegon Centennial and Lumberjack Festival, July 17-31, 1937.



OHIO'S "LITTLE RUHR"—Seven miles up the Cuyahoga River from Cleveland is rising a new "little Ruhr" which will mark it as America's meeting ground for iron ore and coal. The development is part of Republic Steel Corporation's program of expansion in the Cleveland area. A \$15,000,000 plant is under construction (shown above) which when completed will step up Republic's annual output from 1,300,000 tons to 7,000,000 tons. This will raise Cleveland's ranking among steel producing areas from twelfth to third.



A NEW and unique payroll method devised by the "Comptometer" research staff provides an ideal solution to payroll accounting problems resulting from Social Security legislation. The "Comptometer" Payroll Method provides for the recording of employee records with respect to earnings and deductions of all kinds in a simple, economical and highly flexible manner.

Outstanding features of this Method are (as in normal figure-work routine handled by "Comptometers"): *accuracy, economy, speed and extreme adaptability.*

For a copy of the illustrated six-page folder shown above, in which the "Comptometer" Method is outlined, write (on your firm's letterhead) to the Felt & Tarrant Mfg. Co., 1733 North Paulina Street, Chicago, Illinois.

COMPTOMETER

Reg. U. S. Pat. Off.



AS SENT, AS RECEIVED—Progress is being made these days in the science of radio facsimile reproduction. Above, at the left, is an original photograph as put into the London transmitter of Radio Corporation of America's transatlantic circuit. At the right, the way the picture comes out at the New York end.

Facts on "Radio Newspaper"

It isn't just around the corner, despite rapid transmission of coronation pictures. But the industry is confident it can surmount obstacles.

EXACTLY one hour and ten minutes after George VI was crowned in Westminster Abbey a fortnight ago, radioed photographs of the ceremony were being peddled by picture agencies to American newspapers. In the succeeding 24 hours the transatlantic radio traffic in such pictures set a modern record—a record for which the Radio Corp. of America had prepared for months, refurbishing its existing equipment and installing a completely new, second circuit between New York and London.

Interest Is Stimulated

Such a demonstration, remarkable not only for the number and size of the radioed pictures but for the quality of the transmission, was certain to revive in radio and publishing circles widespread interest in the possibilities for a vastly increased application of the principles of radio facsimile reproduction. Like television, the "radio newspaper" has hung just around the corner for many years, and the popular scientists who write for the Sunday supplements have been busy alternately apologizing for its delay and heralding anew its imminent reality.

The basic technique of adapting radio to the transmission and recording of visual images is at least a dozen years old, but experimentation at that time, looking toward the development of some printing-press gadget which might be hooked to the receiving set right in the home, was sidetracked.

The broadcasting industry itself was not the giant it is today, and one thing at a time looked like plenty. Hence, RCA focused its engineering genius primarily on the development of short-wave equipment for the transmission of pictures between America and Europe.

Essentially, the problem of radio facsimile reproduction involves the technique of converting light and shadow into electrical impulses by means of a photoelectric scanning device (the "electric eye"), amplifying and modulating those impulses, and reversing the process at the receiving end. Much the same theory is basic to television, but there is a difference in the result which is sought, for a facsimile system is intended for the reproduction of a static image on a physical medium such as paper rather than for the presentation of moving, evanescent images on a screen.

Transatlantic Process

In the transatlantic systems now operating (at a cost of \$2 per square inch of picture transmitted) reproduction is achieved by a photographic process. A neon light tube at the receiving end moves synchronously with the scanning device across a revolving roll of photosensitized paper; the tube is activated by the electrical impulses which are received, and as the light flickers off and on, the film is exposed for varying fractions of a second. Thus the picture is reconstructed in minute "dots and

dashes" of varying size which correspond with varying intensities of light in the original. The result is not unlike a newspaper halftone; such a picture naturally suffers in reproduction.

As this technique involves dark-room proceedings, its limitations for home use are apparent. The capriciousness of short waves, unusable for close range broadcasting, also makes it impossible to adapt the transatlantic system for point-to-point inland communication. Consequently, when RCA engineers first tried to develop a system for domestic facsimile reproduction, they figured on using frequencies in the regular broadcast band and they experimented with the principle of mechanical reproduction.

Early Sets Did "Print"

In the trial receiving sets which were built about five years ago, a bar with an inked spiral wire was activated by electrical impulses, and reproduction was achieved by actual contact with a roll of paper. These were the experiments which led to the rosy predictions of radio newspapers printed overnight right in the home; and as a matter of fact, sets were built which could "print" at a remarkable rate of speed and collate the sheets for ready reference.

(The speed of reproduction is limited by the number of modulation cycles which can be secured in the radio circuit. In the transatlantic service, where even a slow speed is infinitely quicker than any means of physical transportation, modulation speed is usually held down to 40 cycles to insure clarity. This means that an 8 x 10 inch picture is transmitted in about half an hour.)

Mechanical Limitations

In spite of the promising progress which was made, work on the mechanical reproduction systems has been largely discontinued because of inherent limitations. Even the best system of mechanical reproduction is not reliable for type sizes smaller than 12 points, and it cannot transmit half tones with any adequacy—only black and white line drawings. Finally, mechanical reproducers would have to stand a lot of wear and tear, and servicing charges might run high.

Engineers experimenting with facsimile are now focusing attention chiefly on systems in which reproduction is achieved by an electrolytic process. In such receiving sets a stylus is kept in constant contact with a chemically treated paper, revolving on a drum, and on-and-off currents transmitted through the stylus result in marks of different lengths and intensity, thus permitting the transmission of light values. This principle of reproduction is basic to the system of wired (not wireless) facsimile reproduction which Western

Union first installed almost two years ago (BW—Nov 23 '35, p. 9).

The advent of television, with the vast increases in modulation speeds—up to 2,500,000 cycles—which have been demonstrated as practicable, has played an important rôle in the development of the new facsimile system. RCA's latest model experimental sets operate on an ultra short wave frequency above 100,000 kilocycles and employ measurably increased modulation speeds. As in television, such ultra short waves are limited virtually to the horizon, and booster stations are needed to transmit the facsimile waves any distance much in excess of 30 miles.

RCA is decidedly encouraged by its facsimile experiments (large size sheets are said to have been "printed" with considerable speed and clarity) but it will still be some time before John Smith finds his morning paper waiting for him beside the radio receiver.

Technical Problems to Be Met

First, there are technical problems: reproduction paper is going to have to be almost as cheap as newsprint, and sets themselves are going to have to be made so that they can sell on a mass production basis at a reasonable level—say, \$50 or less. Next, there will be political problems to tackle. What limitations will Congress and the Federal Communications Commission impose on facsimile reproduction in order that the public interest, convenience, and necessity may be served? Like aural broadcasting, facsimile necessarily operates on public domain—the radio spectrum.

Finally, some outfit is going to have to finance facsimile—supply the news and feature service, sell the advertising space. And that outfit is going to have to be big enough and tough enough to take on the whole American press, for newspaper publishers quite logically see in facsimile reproduction an arch-competitor. Assuming the new medium is not too restricted in freedom of expression, there will be a fight to the death.

Big Capital Investment Needed

Transradio Press, an independent news agency servicing radio stations exclusively, has evinced an interest in facsimile, but Transradio would need a big gob of capital. An amalgamation of all radio interests has been mentioned as a possibility, but aside from the fact that more than a quarter of the nation's most powerful radio stations are already owned by publishers, such a setup would likely run afoul of the anti-trust laws. Thus, while the engineering future of facsimile reproduction has been decidedly brightened the economic outlook is still uncertain.

Facsimile enthusiasts, however, are not disconcerted by the prospect; they find comfort in the history of auditory

broadcasting. For a considerable time after radio telephony was perfected, gloomy predictions that it would never amount to much commercially were current and yet radio broadcasting bloomed into full stature almost overnight. So, they say, will radio facsimile reproduction establish itself rapidly as a commercial reality, as soon as the laboratory lid is off—a time not too far away.

Radio-vs.-Press Suit

Federal court at last takes up case of Transradio against newspapers and networks.

ECHOS of a now historic fight between the press and the radio industry reverberated last week around the United States District Court in New York City when at last on its crowded docket the court reached the case of Transradio Press versus the Associated Press, United Press, International News Service, American Newspaper Publishers Association, Columbia Broadcasting System, National Broadcasting Co., and the officers of each organization—17 defendants in all.

Conspiracy Charge

The suit, charging conspiracy and combination in restraint of trade, was filed almost two years ago. Its basis was the agreement between the broadcasting chains and the news services for the establishment of a Radio-Press Bureau to furnish radio stations with a twice-a-day summary of news reports, provided the chains themselves ceased the periodic distribution of news bulletins throughout the day. Transradio Press, a national news collection and news dissemination agency which sells its services direct to individual stations, was practically given a lease of life by this agreement, which is generally unsatisfactory to the broadcasting stations; but it charges that the intent of the peace-making agreement between the chains and press was to preempt the radio news field, that it has been forced to compete against a virtual monopoly.

After the case came to trial this week, Transradio drew first blood when the court denied a petition of the defendants to take depositions of witnesses at various points between New York and Seattle. Ostensibly, these depositions would substantiate the defendants' contention that Transradio Press obtained its news by piratical methods. Transradio opposed the petition on the ground that the costly taking of depositions "would be the finishing blow in the campaign by the defendants to annihilate competition, upon which campaign the present suit is based." The court denied the petition and set argument for next month, though the case will probably go over until fall.



Grooming the Iron Horse

● Grooming these thoroughbreds of freight is a 24-hour-a-day job with Erie roundhouse men. Before each run sharp-eyed mechanics limber the steel sinews that send these iron steeds roaring down the rails. Each working part is carefully inspected and serviced for speed—speed matched only by the power of these famous locomotives.

Speed is a creed with the Erie. A creed that has gained for the Erie a nation-wide reputation for on-time deliveries.

Shippers dependent on speed ship via Erie. That's why the Erie hauls more western produce to New York and New England than any other railroad. That's why shippers of heavy equipment specify Erie. That's why Erie is first in freight.

Whatever, and wherever, you ship, you can profit by the speed, safety and economy of the Erie. Consult your local agent.

*Travel
the Scenic Erie*
... between New York, Binghamton,
Elmira, Buffalo, Chautauque Lake,
Youngstown, Cleveland, Akron, Chicago.
AIR-CONDITIONED TRAINS
EXCELLENT MEALS • FINEST
SERVICE • LOWEST FARES



That Social Security Reserve Fund: How It's Scheduled to Grow—to \$46,900,000,000!

Fiscal Year	The Tax * Rises Like This	What Congress is Scheduled to Appropriate	Interest at 3% on What Remains in the Fund (in millions—000,000 omitted)	Old Age Benefits	Growth of Fund
1937†		\$ 255.5	None	\$ 1.9	\$ 253.7
1938†	2%	513.5	\$ 7.6	7.2	767.5
1939		518.5	23.0	14.5	1,294.5
1940		662.2	38.8	22.0	1,973.6
1941	3%	807.2	59.2	29.7	2,810.3
1942		814.8	84.4	52.8	3,656.6
1943		970.0	109.8	94.2	4,642.1
1944	4%	1,126.6	139.3	142.9	5,765.1
1945		1,137.0	173.0	191.2	6,883.9
1946		1,291.4	206.5	249.2	8,132.7
1947	5%	1,447.1	243.9	314.5	9,509.2
1948		1,460.1	285.2	377.4	10,877.0
1949		1,621.1	326.3	442.1	12,382.4
1950	6%	1,783.3	371.5	505.5	14,031.7
1955		1,861.2	615.8	887.8	22,115.7
1960		1,939.1	844.2	1,379.9	29,543.9
1965		2,016.9	1,040.9	1,844.0	35,898.5
1970		2,094.8	1,210.9	2,303.5	41,366.7
1975		2,172.7	1,341.8	2,872.1	45,368.3
1980		2,180.5	1,406.0	3,511.3	46,942.7

* Half paid by employer; half by employee.

† After these actuarial tables were prepared, revised estimates for 1937 and 1938 were made; the revised appropriation for 1937 is \$225,000,000 and for 1938, \$540,000,000; revised benefits are respectively \$963,000 and \$7,701,000. Though the changes affect the interest received somewhat, the long-run effect is not serious so far as the Reserve Fund is concerned.

BUTT OF MOST CRITICISM—The tremendous Old Age Reserve Account, which amounts to 47 billion dollars by 1980, is the chief cause for complaint against the Roosevelt Social Security program, for several reasons: (1) because it disguises the cost of the old-age benefits—though direct taxes amount to \$2,200,000,000 in 1980, indirect taxes, through interest, reach \$1,400,000,000, yielding a whopping total of \$3,600,000,000; (2) because it necessitates a \$12,000,000,000 increase in federal debt over and above the \$35,000,000,000 indebtedness that exists today; (3) because Congress each year must appropriate like clock work funds for the Reserve Account; there is no stipulated schedule in the law—therefore, Congress if it were so minded, could divert old-age funds to general purposes.

Plan Social Security Changes

Supreme Court decisions cause business to start revising private pension systems, and to prepare definite recommendations for amending the law.

THE Supreme Court this week left business high and dry on an uncharted reef—entirely surrounded by misgivings—by validating the Administration's Social Security program. The last bulwark against social reform in industry (by government) had broken down. Immediate consequences were these:

1. Government bonds spurted, as it became clear that the buying power of the Old-Age Reserve Account was not to be stripped away—immediately.

2. Business men renewed their search for flaws in the Social Security Act—a search which has been stymied by lack of concrete criticisms of the program, and by insufficient experience with social legislation so far-reaching.

3. Insurance companies drove forward in their campaign to sell old-age annuities to supplement the meager monthly returns which will inure to old-age beneficiaries under the plan—returns which reach a maximum of \$85,

or \$1,020 a year, and make a bottom at \$10 a month, or \$120 a year.

4. Large corporations began revising their private pension plans to fit them in with the federal scheme, as a means of (1) cutting down the cost of their pension systems; (2) seeing that workers received at least as much as those systems provided for, before the federal law was passed. (The federal benefits which a 65-year-old retired worker receives are unaffected by private pension receipts, income from investments, or annuities. The chief requisite is that he be at leisure.)

5. Business and social reformers began anew to measure the Social Security program. Likely result: a series of amendments before 1940, when the old-age tax steps up from 2%, half payable by employer, half by employee, to 3%. Safest bet: that the \$46,900,000,000 projected Old Age Reserve Fund will be cut substantially and that

a combination pay-as-you-go and reserve fund plan will be substituted.

Advisers to the President undoubtedly will suggest alterations, including: (1) federalizing unemployment compensation, by eliminating 48 variable state laws and concentrating control in the national government; (2) relieving the youth of the nation from the excessive burden of a 3% levy on income, from which oldsters will derive more than their paid-in share of retirement benefits; (3) ending the situation under which a retired worker will sometimes find it desirable to pass up his earned old-age benefit, declare himself impoverished, and get the more generous free state-federal old-age pension.

Will Boost Living Costs

Superficially, the worker would appear to derive optimum benefit from the social security program. On old-age, his income tax will rise to 3% in 1949 (see accompanying tabulation), and the employer will also pay 3%. On unemployment compensation, the worker pays nothing, the employer pays a maximum of 3%. Thus, it is 6% against 3%. But the tax is levied on payrolls. The employer turns over the money to the government—state or federal—and his costs of production go up accordingly. Hence the cost of living rises. Moreover, the worker's payment is a direct cut in his income. So he takes it on the chin in two ways.

From industry's standpoint, the method of taxation is advantageous. The cost becomes a charge against production and can be passed on to the consumer. If the program were financed by general taxation—that is a levy on net income or profits—then capital would have to defray a much larger share. The chief drawback of the law is that the purchasing power of the nation is reduced by the astronomical amounts that go into the old-age reserve account.

Inequities of Plan

But the benefits to be paid out offset the tax collections as the years go by (again see table). The injustice to the younger worker is striking. Workers who enter the system in 1949, when the 6% tax rate goes into effect, must shoulder the load for the older men, who, at 65, will have begun drawing benefits in 1942. A worker of 20, entering the system in 1949, for instance, and earning \$200 monthly, could with his own and his employer's contribution purchase a private annuity to yield at 6% \$117.88 monthly; his government allotment will only be \$76.25 monthly.

By eliminating the huge reserve plan, and adopting a pay-as-you-go system, such as exists in Great Britain and Germany, larger payments will be available earlier—and they can be adjusted more closely to what is actually paid in.

For unemployment compensation there is only one logical comparison: the nation's banking system, where we have a national banking act and a *potpourri* of 48 variable state laws. The federal government drafted a model law for unemployment compensation, but the states introduced special provisions here and left out others there. So far, 47 states have passed unemployment compensation laws, to derive the benefit of a tax rebate from the federal government. The result is practically 47 different laws. One example

should suffice. Unemployment compensation in any one year lasts for from 14 to 20 weeks in Wisconsin; 12 weeks in Arizona, Mississippi, South Carolina, and West Virginia; 13 weeks in California, Colorado, Connecticut, and Pennsylvania; 15 weeks in Indiana, Iowa, Kentucky, Louisiana, Oregon, Texas; 18 weeks in Idaho; 20 weeks in Rhode Island; in most states for 16 weeks. And the weekly compensation varies from state to state. And the tax rates also vary moderately. Try to budget such a system!

everyone in the anthracite region knows that competition among the operators generally is badly in need of a spring cleaning.

The Big Seven

Jehovah favored Pennsylvania by allotting to its northeastern regions practically all the anthracite in the western hemisphere. Most of the deposits are owned by seven large corporations: Glen Alden Coal Co., Lehigh Valley Coal Co., Philadelphia & Reading Coal & Iron Co., Hudson Coal Co., Pittston Co., Lehigh Navigation Coal Co., Susquehanna Collieries Co.

These big fellows lease lands to other companies. Some are big and some are little. But it is the lower strata of the leasing companies that produces the price cutters.

In 1924 anthracite production was 80,291,000 tons; in 1928 it was 69,672,000 tons. Some of that loss was due to resentment of dealers and consumers against an all-winter strike in 1925-1926. Rival fuels were also coming to the front, as later figures show. From the 1932 low of 46,700,000 tons, production came back to only about 51,000,000 tons last year.

This pinch of the market was reflected in a relapse of ethics. A number of leasing operators worked out a technique for beating the regulation United Mine Workers wage. Propositions to miners ran something like this:

"You are working about 190 days a year. I'll give you 225 days a year but on a different basis. You work six days a week and I'll pay you for five. Or you produce six carloads of coal and I'll pay you for five."

The miner sacrificed his union scale

Chiseling in Anthracite

Secret wage-cutting leads to cutthroat price competition in sick industry. Gov. Earle's commission splits on solution of bootleg coal problem.

In a loud voice, the Pennsylvania anthracite industry has told the world about its struggle against bootleg coal. While legal action in some of the big markets has reduced this activity, a report last week by a special five-man investigating commission added to the general confusion by submitting three solutions for the problem.

But neither the commission nor the industry publicity has touched on a second and more savage threat to price stability. This is the competition by legitimate producers who surreptitiously beat down labor costs and thereby undercut regular coal quotations by about 11%. Thus while bootleg production is put at about 8% (4,080,000 tons in 1936) of the total, the latter group of raiders is said to produce something under 25% (12,750,000 tons). The second malady will be harder to cure because it is internal.

The bootleg coal commission which presented its findings to the state assembly was appointed by Gov. Earle. About the only thing that all members agreed on was that force should not be used against the illegal miners.

Urge State Ownership

The majority report urged a state-owned corporation to take over anthracite lands and six to 12 collieries. It would employ 5,000 to 7,000 men at prevailing wages and hours. Production would be limited to the tonnage now produced by unemployed miners from bootleg workings of coal company properties. Financing would come from a 5¢ a ton tax on coal produced by present operators.

One commissioner (Morris L. Ernst, New York attorney) while endorsing state operation opposed the tax idea. He proposed a voluntary cooperative of recognized producers with as little state supervision as possible. The third suggestion (by a commission minority)

was for a modification of the Guffey bituminous coal act to apply it to anthracite, and for renewed direct and work relief for workless unemployed miners, and stronger laws against bootlegging.

The majority report declared that efforts to get cooperation from the anthracite companies were fruitless. The operators were "mutually distrustful," and as a whole refused to accept suggestions or make any.

On Thursday of last week Gov. Earle talked over his coal troubles with President Roosevelt. Federal intervention in the bootleg coal situation was one of the possibilities discussed.

To say that industry members are "mutually distrustful" is putting it very mildly indeed. Forgetting the bootleg coal business (which is on the wane),



"STAY-DOWN" STRIKE—Poker helped while away the time for 540 miners of the Superior Coal Company of Wilsonville, Illinois, who went on a "stay-down" strike last week to enforce demands that work be shared with 300 idle employees. The miners also asked that the company stop its mechanization, which, they assert, is jeopardizing the jobs of many miners.

for more regular employment. This gave to the operator a one-sixth saving in labor cost as against his honest competitor. Labor cost is figured at about 67% of the mine-mouth costs. With a saving of one-sixth under that figure, the competitive prices at the mine were, say, \$5 as against \$4.44.

It is charged by many that sub-executives of incorruptible John L. Lewis' United Mine Workers had to be "in on the deal" to make these shennannigans possible. One allegation is that often the local union official is regularly "greased" with operator's money.

The situation drove the legitimate operators to reprisals. Last March they gave the chiselers a touch of high life. They cut prices to meet the competition. This did embarrass the troublesome competition—but it also played the devil with profits of the big operators which were pretty pallid to start with. The legitimate companies have since raised prices somewhat but the fundamental trouble has not been improved.

Better Merchandising Needed

A minority statement of Gov. Earle's bootleg coal commission said, "The monopoly party is over . . . the anthracite industry is definitely on a decline which will not be checked unless there are effective contributions, not from some but by all parties at interest, in reducing the final delivery cost."

Commissioner Ernst declared that the country is "essentially underheated" and added, "While such conditions exist it is absurd to take the position that anthracite is a finished industry."

The industry realizes that one great need is better merchandising of its products. Anthracite Industries, Inc., was formed to promote a better understanding of this coal's unique virtues and to aid in the development of better firing equipment (especially mechanical stokers), to reduce transportation and production costs.

Bottle Battles Can

Steinie is shifted from throw-away to deposit status to get edge of beer price.

THE beer container battle between the traditional bottle and the recently-developed can grows hotter by the minute. The short-necked steinie bottle, developed as a throw-away to compete with cans, is gradually moving into the cheaper deposit-and-return class. This shift in status began in the South but has extended to other areas including New York and Connecticut.

Consumers are expected to cast steinies aside (as they do cans) when sold on a no-deposit basis. One metropolitan brewer began buying up used stein-

ies at 1¢ each. They cost 2¢ new. A competing brewer then announced a 1¢ return price on steinies. He also cut his deposit requirement to 1¢ each on regular beer bottles from the long-established 2¢. To level off competition, all New York brewers will set a 1¢ redemption price on both steinies and regulars as of June 1.

Here is the latest counter-move of the beer bottle against the beer can in the huge New York market. Beer in cans retails usually at 10¢ each. The steinie was introduced at the same price on a non-returnable basis. But the new dispensation gives the edge to the bottle on price. Beer in both steinies and regulars will sell in most cases at three for 25¢ with 3¢ as a deposit for the bottles. At 28¢ the total is 2¢ less than for the same number of cans, and 5¢ less if the bottles are returned.

Bottle interests have begun another anti-can push in the New York City sector where competition is especially keen. On Tuesday newspapers announced a contest conducted by the Glass Container Association for beer drinkers within 100 miles of the city. Two round-trips to California will be given the person who writes the best 50-word addition to, "I prefer my favorite beer in a steinie because—." Additional prizes range from \$5 to \$100 in cash. The advertisement takes time out for a wallop at the enemy. One line runs, "Steinie glass bottles need no protective lining—there is nothing to taint or impair the original flavor of the brew."



SMOKE EJECTOR—New York City fire officials recently tested the new smoke ejector shown above. A gasoline engine operates a fan which sucks 4,000 cubic feet of smoke a minute through the long flexible pipe. The apparatus would be most valuable in cutting losses in store fires.

Beer Barrier Beaten

"Anti-discrimination" bill, hindering California sales, vetoed by Gov. Merriam.

GOV. MERRIAM of California last week relieved a tight situation in the alcoholic beverages industries by vetoing the "anti-discrimination bill" which had the support of the shipping brewers (*BW*—May 22 '37, p. 28). The bill would have prevented shipment of beer, liquor, or wine into California from any state which placed handicaps on California products.

The bill went through the legislature with a rush. It had been boosted on its way by claims that California's powerful wine interests were behind it. But the Wine Institute came out definitely against the bill, branding it as "un-American" and provocative of reprisals against California products. Gov. Merriam took his cue from this and remarked that while the legislation was intended to promote cooperation between the states, its effect probably would be just the opposite. A complementary bill that would have removed discriminatory license fees against non-California beverages also was vetoed.

Sears in Tractors

Will begin selling them again, after four years' withdrawal. Top price about \$1,000.

SPURRED by an active market for tractors and farm implements (*BW*—Mar 6 '37, p. 20), Sears, Roebuck & Co., this week revealed plans to resume sale of farm tractors about July 1, after four years of not selling them. It will re-enter the field on a small scale, having contracted with the Graham-Paige Motors Corp. to build 250 big machines, of which Sears is obligated to buy only as many as it can sell. They will bring a top price of around \$1,000 and will be sold on instalments through Sears stores—and not from the mail order catalogue. Gen. R. E. Wood, company president, describes the venture as "experimental."

Sears entered tractor merchandising in 1930, and sold several hundred machines. In 1931 and '32, sales came slowly, and the company perceived it would have to sacrifice quality to sell its tractors at depression prices. It elected to quit the field temporarily.

Montgomery Ward & Co., which this year began handling an extensive line of farm implements (*BW*—Jan 16 '37, p. 34), is selling small tractors of from 1 to 5 hp. Cash prices range from \$129 to \$255, with carrying charges varying from \$13.50 to \$25 when machines are bought on instalments.

Stop Carrying Customers - - Cash Their Accounts

WED, we'll have to turn down the Miller contract, but I hate to do it. We simply can't finance that additional production now, unless we get new capital..."

"Man, you're crazy. We can't pass up a deal like that. We won't need new capital. I think I know the way out. Meet me at the club this afternoon. I'll tell you about it while we're playing."



THAT AFTERNOON

"So you see, Jim, there's \$30,000 in good quick assets on our books. Hoagland says Commercial Credit Company will give us the cash in 24 hours. And what's more we can cash our open accounts and discount our purchases, as fast as we ship."

"The way you've put it, it sounds swell. But how about the discount rates? I've always had an idea that accounts receivable financing cost plenty. Isn't it going to cut into our profits pretty deep?"

"Wrong again, Jim. I've checked on that, too. Look. Suppose everyone that owes us came into the office tomorrow and offered to pay in full if we'd give them a discount. Wouldn't you do it?"

"Like a shot. Don't be foolish."



"Well, there you are. Commercial Credit Company financing won't cost any more than that... probably be less, when you get the exact figures."

"Ed, we'll do it. Call them tomorrow. If Hoagland is so strong for their service after using it for a year I'm satisfied. After all, we're manufacturers. Why should we be bankers for the people we sell? From now on, we will extend credit to them and then sell the open accounts."

THE HANDICAP of limited working capital can easily be overcome in most instances by intelligent use of one of the many modern forms of financing offered by Commercial Credit Company. Our accounts receivable and our instalment financing plans are widely used today by forward-looking

manufacturers, wholesalers and dealers who recognize the advantages of flexibility, and convenience for either temporary requirements or year-round use. If it would help you to liquify your receivables... write for full information or an interview. All correspondence is confidential.

COMMERCIAL CREDIT COMPANY

NEW YORK

CHICAGO

BALTIMORE

PORTLAND, ORE.

SAN FRANCISCO

Dare F.D.R. to Veto Sugar Bill

Domestic interests, despite threat of Presidential action, get their own bill substituted for his by House subcommittee. Want lower Cuban quotas.

REX TUGWELL, of the American Molasses Co., was in Washington last week. At or about the same time a move set in from states where the tall corn grows to shut down on imported molasses. But this is only a side-issue in the struggle of domestic and offshore sugar producers and refiners for a cut of the \$350,000,000 which represents the difference between the price paid for sugar on the spoon in the United States and the world price of that commodity.

It's a battle in which the former undersecretary of agriculture and his boss, Charles W. Taussig, one of the President's coterie of economic advisers in the first New Deal, have not played a conspicuous rôle, although their interest covers sugar in every form from every clime and cuts across many contentious issues.

With But a Single Thought

The Western beet growers, the Louisiana and Florida cane growers, the domestic beet and cane refiners, the Cuban cane growers and refiners, the cane growers and refiners of the Philippines, Hawaii, and Puerto Rico—each group has an obvious singleness of purpose that is quickly understood by every congressman who may or may not be impressed by their arguments or enjoy their hospitality.

Domestic growers want to increase their production quotas at the expense of Cuba, the Philippines, Hawaii, and Puerto Rico. Domestic cane refiners want to curb the refining of sugar in the offshore producing areas.

The Administration opposes both these groups. It wants to control both production and price, but it rings in the argument, on the one hand, that the domestic industry exists only by grace of protection and, on the other, that the greater development of Cuba as a market for sundry exports of the United States is more important to the United States than the expansion of its domestic sugar industry.

Rejection of the Administration's sugar bill by a House subcommittee, and substitution of another raising domestic quotas and curtailing those of Cuba and the other islands, is the first big setback for Sec. Hull's reciprocal trade policy. And it slaps down one of the most successful crop control programs that was engineered by the Agricultural Adjustment Administration.

Many of the AAA's finest have fared forth to join the war on other fronts. Jack Dalton, former head of AAA's sugar section, now is managing

the campaign of the U.S. Cane Sugar Refiners' Association, with Dudley Brown, former administrative assistant, and Meyer Lynsky, economist. Representing the American Sugar Refining Co. is Charles F. Boots, former legislative counsel of the Senate committee, who, with Prew Savoy, former chief of the processing tax section of AAA's legal division, handled on Capitol Hill the present Jones-Costigan Act which expires this year. Jim Dickey, former assistant chief of the Sugar Section, and Dudley Smith, another AAA expert, have thrown in with the Puerto Ricans. Chauncey Wightman, another Sugar Section official, is pressing the Hawaiians' interests. And there are old-time lobbyists on the job in Washington who have battled for sugar many years.

With their backs to the wall in AAA are Joshua Bernhardt, present chief of the Sugar Section (referred to in a prejudiced quarter as a Wall Street statistician) and former chief economist who probably was more instrumental in shaping the 1934 Act than any other one man. With him in the fight for the Administration is Dr. Carl D. Robbins, previously connected with California and Hawaii sugar interests.

Industry Backs Cummings Bill

The bill generally supported by the domestic industry is the work of a subcommittee chairmanned by Rep. Cummings, of Colorado, former head of the beet sugar growers' organization. It is a hot potato for Rep. Marvin Jones, chairman of the House Agriculture Committee, who apparently would rather do nothing than go against the Administration. There is the threat that if the Cummings bill is enacted, President Roosevelt will veto it. The domestic sugar interests are equally

brash, in privately discussing the present stalemate, in daring him to do so. Their charge is that Wallace and Bernhardt believe that the growers will sell their souls for benefit payments. The domestic interests assert that the quota system is superior to the tariff, as that may be nullified by including Hawaii, Philippine, and Puerto Rican production under the flag, but they claim that Cuba will be hurt more than they by lack of a new law, representing that with expiration of the Jones-Costigan Act Cuba will lose a guaranteed market and that the tariff against her, now 9/10¢ a lb. will automatically revert to 1½¢.

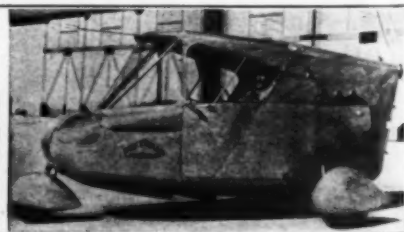
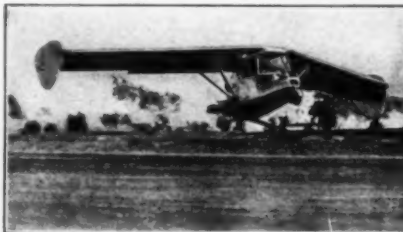
Law or no law, it's all the same to the consumer if, indeed, the tax, probably ½¢, that will be imposed if either bill passes, does not raise the price. The fine-spun theory is that this will be taken out of the refiners' margin but that is not likely to be true under all conditions.

Hit Tariff Exemption

Detroit and other cities at or near our borders want to end \$100 duty-free clause.

DETROIT wants to stop its citizens from buying \$5,000,000 worth of merchandise annually in Canada under the \$100 exemption clause of the tariff act. The city's board of commerce has gone to Washington trying to amend the law while commendations of its effort pour in by wire and post from other border towns like Seattle, Los Angeles, El Paso, Buffalo, Erie. The American Retail Federation and other retail groups are supporting an amendment. Some of them estimate that nearly \$50,000,000 worth of Canadian and Mexican retail goods are brought in legally but unrighteously each year. These foreign purchases reduce the business of home storekeepers; and word of startling price differences gets around, undermining American confidence in their integrity.

The \$100 exemption was intended



STUDEBAKER PROMOTION—Five "flying automobiles," contraptions that may be driven upon the highways and actually flown in the air, have been purchased by The Studebaker Corporation and will be demonstrated in every principal city during the summer. The "flying automobiles" are powered with Studebaker Dictator engines, have regular airplane wings which may be detached in less than three minutes and left at the airport while the pilot switches power from propeller to wheels and takes to the highways. The two rear wheels are supplied with both forward and reverse power.

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for honest tourists who like to bring home foreign things to show around to their friends.

But slickers go over the borders purposely to buy goods as often as the law allows—every 30 days. Some buy for their own use, but too many resell. It's bad either way. Canada offers tempting furs and duty-free English woolens. Mexico has fine Indian art objects. Both countries admit varieties of foreign goods almost duty-free because they have fewer manufacturers calling for protection than the United States.

Smart Shops in Mexico

Next to Detroit, Los Angeles is most troubled. Movie people make a lot of money and they resent the government getting most of it and California getting most of what's left. So they are not averse to unpatriotic economy on finery. Agua Caliente, close under the border, is equal to this occasion. When recently it lost its horse racing and gambling, by order of President Cardenas, it went into swank shopkeeping. Now Los Angeles citizens not only go on international shopping tours but are reported sending squads of hired help.

The proposed amendment says simply that the "tourist" must stay out of the country at least 48 hours before he can bring back his \$100 worth. But some merchants say that won't stop them; it just makes a nice week-end. They will try to fix it some more next year.

Deepest Oil Well

Industry sees important consequences in flow from petroleum deposit tapped over two miles down.

TWO-AND-A-FIFTH miles below the surface of Terrebonne Parish, La., a petroleum pocket started flowing to the surface last week. The oil industry is vastly interested in the news. This is the deepest producing well in the world, the first to surrender petroleum under the 11,000 ft. level.

Named Elender 1, it is the property of Humble Oil, a subsidiary of Standard Oil Co. (N.J.). Elender 1 made records in the length of casing string, in the depth of casing perforation, in wire coring. The flow of 40 bbl. per hour proves that commercial wells may be brought in at depths undreamed of a few years back. A revision of estimates of the country's oil reserves may have to be made. Super-deep (or sub-deep) drilling will receive a great impetus. But the high costs of such deep wells will probably keep out of this field all but big, rich companies.

Calling Honolulu

AHLRX RHBAC EIXSM MORUT
SDXVD DLADC

Such brief messages—in American Trust Company's Three-Letter Telegraphic Code*—travel daily back and forth across the Pacific, between this bank and its Honolulu correspondents. The above radiogram, for example, carries a sixty-word order for Hawaiian pineapple. Another, equally brief, from the Islands, may convey complete shipping and financing instructions for 1,000 barrels of California cement. In either case, the shipper whose transaction goes through this bank enjoys two advantages. First, a saving on radio or cable tolls. Second, and far more important, the services of a Foreign Department with years of specialized experience with Pacific trade.

*WRITE FOR BOOKLET about this code which saves customers up to 50% on cable or radio tolls.

AMERICAN TRUST COMPANY

HEAD OFFICE: SAN FRANCISCO

Banking Since 1854

MEMBER F. D. I. C.

RESOURCES OVER \$275,000,000



HAWAII

SAN FRANCISCO

SUGAR, 600,000 TONS • PINEAPPLE, 240,000 TONS

FOODS, 104,000 TONS • BUILDING MATERIALS, 66,000 TONS • PETROLEUM PRODUCTS, 287,000 TONS

"We've got to ship the whole order tonight. Put it on that new Warner & Swasey."

WARNER & SWASEY
Turret Lathes
Cleveland

Boss Foreign Trade

U.S. officials confer privately in small group and exercise great but quiet power over governmental moves affecting exports and imports.

FOR 3½ years supervision of all government actions affecting import and export trade has been centralized in an inter-departmental committee in Washington—the Executive Committee on Commercial Policy. Outside of an immediate circle of officials, scarcely anybody is aware of its existence, although it meets as often as once a week. It has no power but that, in a sense, makes its power all the greater, observes Francis B. Sayre, assistant secretary of state who, as alternate for Sec. Hull, is chairman.

Who's on the Committee

Other members of the committee are Secretaries Morgenthau, Roper, and Wallace, and Robert L. O'Brien, chairman of the Tariff Commission. Either they or their alternates attend, frequently reinforced by departmental staff experts on particular subjects. In times past, both the National Recovery Administration and the Agricultural Adjustment Administration have been represented.

The purpose for which the committee was created by the President in November, 1933, is to keep department heads from flying off on tangents to main Administration policy and the result, according to Mr. Sayre, is a very well marked policy. Although Mr. Sayre doesn't say so, the committee is to some considerable degree responsible for the great strides made in the Hull reciprocal trade program. Nothing is permitted to develop in legislative or executive fields that might get in the way of that program.

All kinds of inter-departmental jealousies have been ironed out by men "too brainy and too high up" to bicker about them. Once a thing is settled by the committee, the unanimous opinion—and it never falls short of that—is self-enforcing. The conclusion arrived at thenceforth colors the policy of a department that otherwise might have strayed from the fold.

All manner of topics affecting foreign trade are debated by the committee. Numerous proposals for the payment

of export subsidies have been squelched as contravening the spirit of the law imposing countervailing duties, which may be tantamount to placing an embargo on the subsidized products of other nations.

Adjustment of import duties under Sec. 336 of the Tariff Act is one of the major subjects of committee deliberation. The committee doesn't advertise its scrutiny of legislation to determine its hearing on Administration external trade policy. No reports are submitted, except to the White House, and one gets the impression that it is not necessary for a committee that has no contacts with the public to put much down in writing.

On the Schwellenbach bill to license steel scrap exports, the tenor of the committee's conclusion probably will never be revealed officially but it will be a surprise if this legislation makes any headway.

Co-ops and Utilities

Rural Electrification Administration says most sales to private companies are unwise.


CONCLUSIONS should be drawn with caution in regard to recent crack-downs by the Rural Electrification Administration on cooperatives that are toying with the idea of turning their newly organized projects over to nearby utility companies for construction and operation. Never identified with the utility-baiting sector of the New Deal, REA recognizes that 95% of the United States is now served by privately-owned utilities, has neither the wish nor the expectation of building all the new rural extensions, and declares it has no objection to losing a potential project to a utility that will do right by the farmer.

But such transfers have taken place in a dozen or more cases, and in all save one the results have been, from the REA viewpoint, unsatisfactory. Customer complaints cited by REA allege two predominant shortcomings: the rates are too high; the lines, when built, fail to connect marginal customers included in the original project. The net result falls far short of what REA planned, and the unserved fringe is far too thin to support any further activity on its part.

Consequently the attitude of Administration officials has changed from acquiescence to suspicion. Administrator John M. Carmody recently wrote to one such organization: "Experience has indicated that the thwarting of one cooperative project destroys the aggressive attitude of the farmers in other sections and makes opposition to a widespread rural electrification program more easy."

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- The Maryland Drydock Company
- Mystic Iron Works
- Mystic Steamship Company
- National Lumber and Creosoting Co.
- New England Coal and Coke Company
- Tar and Chemical Division
- Western Gas Division
- The White Tar Company of New Jersey, Inc.
- The Wood Preserving Corporation

This photo shows concrete walls a year and a half after they were painted with Koppers H-P Primer and Lumino

KOPPERS HP PRIMER AND LUMINO STOP SPALLING OF CONCRETE STRUCTURES—Many concrete buildings and walls which are structurally sound are disintegrating and becoming "sandy" at the surface. When Koppers High Penetration Primer is applied to concrete, it penetrates the surface and builds up a dampproof shell within the masonry surface. Koppers Lumino, a bituminous-base aluminum paint, is then applied and it covers up the black dampproofing. Both the materials exclude water from the structure, and thus prevent spalling due to frost action. Lumino reflects the sun's rays, and this reduces structural movements caused by expansion. Let us send you the folder about these dampproofing materials.

KOPPERS COMPANY
TAR AND CHEMICAL DIVISION, PITTSBURGH, PA.

MAY 29, 1937

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YOUR PLUMBER IS *Your Friend*



He is the Specialist who responds at any hour to your emergency call. He knows, as no one else does, the arteries of life in your building . . . these vital lines of pipe which are sealed in concrete, walled in plaster, and buried underground and *which must not fail*. Your plumber's judgment is sound. He is your most reliable guide to a safe plumbing investment. Because he knows what pipe must do he recommends COP-R-LOY Pipe . . . for its economy to you; for the *better* service this famous Wheeling metal gives you through a *longer* period of years. Architects and engineers back up your plumber's recommendation of COP-R-LOY Pipe. They specify it, not alone for plumbing, heating and air conditioning, but for power lines, refrigeration, irrigation and other great industrial projects where COP-R-LOY durability meets the demand for unfailing performance.

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COP-R-LOY ITS WHEELING STEEL

ARE YOUR ELECTRICAL CIRCUITS "1911"



MODERNIZED WIRING AIDS PLANT OPERATION IN THESE 6 WAYS



- 1 Prevents breakdowns that retard production and cause labor to lose wages.
- 2 Prevents light losses and slowing down of machines due to voltage drop.
- 3 Prevents dissipation of power in the form of invisible heat losses.
- 4 Lowers maintenance and repair costs.
- 5 Permits shifting of equipment or installation of new machinery with minimum delay.
- 6 Protects safety of workers and lowers insurance rates—a permanent saving!

Anaconda Wire & Cable

General Offices: 25 Broadway, New York

Chicago Office: 20 North Wacker Drive

MODEL"?

Antiquated electrical circuits, like old cars, often fail under the strain of high-speed, long runs

TODAY in many lines... yours, perhaps... plants are busy turning out products of smart new design. Production schedules have been stepped up to meet the rush of orders. Yet the electric circuits upon which successful operation depends have not been changed. They are grotesquely out of date!

When business was slow, these antiquated circuits were less vital. But now that manufacturing is speeded up, breakdowns are frequent. A feeder blows. Production is paralyzed. Thousands of dollars are lost because of failure to modernize wiring.

Estimates show that 9 out of 10 plants are handicapped by old-fashioned, deficient circuits! Even when breakdowns do not occur, dollars fly out the window needlessly. Power is dissipated in the form of heat losses.

Machines are slowed down by voltage drop. Maintenance and repair costs are unduly high.

Safeguard your plant against these dangers. Have electric circuits checked! It will cost you nothing and may save many dollars.

Two important books you should have

To aid you in avoiding breakdown... in stopping hidden losses... we have prepared two useful books. One is our "Industrial Wiring Survey". This volume tells you how to initiate a check-up of electric circuits.

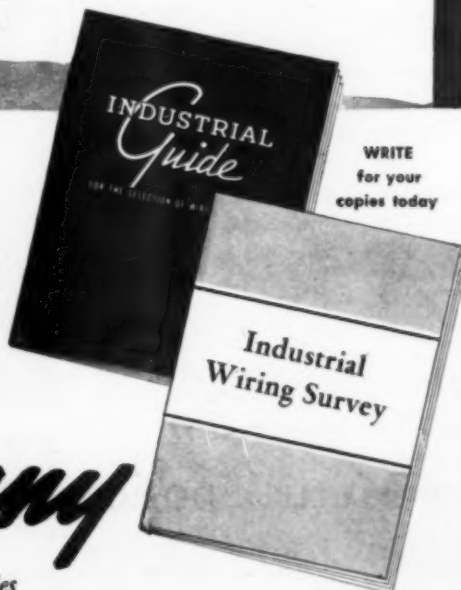
The other is our "Industrial Guide for the Selection of Wire and Cable". Brand new, it is the only thing of its kind in the electrical industry. Scores of situations are listed together with the correct wiring solution for each.

87500

SEND FOR THESE BOOKS—then put the matter of modernizing up to your electrical engineer, consultant, or contractor. If you have a specific problem, consult our engineering department. We will cooperate without obligation.

Company

Sales Offices in Principal Cities



Plan Superhighway

\$50,000,000 sought to convert old South Penn Railroad to four-lane motor use.

BACK in the days when industrial giants strode across the land, pushing back frontiers and grabbing new territories—sometimes from each other—a very pretty fight developed in one section of Pennsylvania. The Pennsylvania Railroad had been getting most of the trade from Pittsburgh east, because it had the only line from the big steel center to Harrisburg. At Harrisburg the Reading had a terminus, and more than 50 years ago two big industrialists named Carnegie and Rockefeller decided to join the Vanderbilt interests in a plan to build the missing link.

Millions Were Spent, And—

That only started the fun. The South Penn Railway was begun in 1883, several millions were poured into the job of grading, digging tunnels, and laying track across the tortuous 210 miles between the two cities. Suddenly the Pennsy's president, Frank Thompson, got tough. He went east and started to build a railroad to compete along the west shore of the Hudson with New York Central (which also was controlled by the Vanderbilts).

At this point another party—J. P. Morgan the elder—stepped in as referee. No sense, he said, in cutting each other's throats. So... they called it off.

But the work had been done on the South Penn right-of-way, and a lot of it was permanent. A few years ago, highway engineers began to study the route as a possible path for something the new era needs more than new railroads—new express highways. The Works Progress Administration put up the money for surveying, the plans were laid for a four-lane highway, costs were estimated, and the legislature approved the scheme.

Millions More Will Be Needed

Now the super highway is a possibility; not much more can be said with certainty. To build it will take some \$50,000,000, and that is a lot of money, particularly if the state has to put it up. If the federal government would come through with substantial donations, everything would be lovely—but WPA hasn't shown any inclination to fatten the kitty.

Therefore, the old South Penn road still is just that. If and when the money is forthcoming to complete the highway plan, motorists may speed along the picturesque route where, fifty years ago, the work gangs toiled to build the railroad which never reached completion.



... unbroken for fifty years
an opportunity for you, too, to profit

EVERY policyholder has received from American Mutual a cash dividend of 20% or more each year.

Since organization in 1887, more than 53,000,000 dividend dollars have been returned. Individual workmen's compensation policyholders add thousands of dollars to their net profit each year, through this saving in insurance cost.

Result of careful selection of firms to insure and wise handling of investments, this cash saving is only one of three ways for policyholders to profit.

PROFIT TWO — from safety engineering that helps weed out all fundamental accident causes, saving indirect accident losses (time wasted, special material, etc.) while lowering insurance costs.

PROFIT THREE — from industrially-trained doctors who keep injured men's jobs in mind, often restoring their ability to work and saving the cost of training new men.

For more information on this lowest-net-cost workmen's compensation insurance, write American Mutual Liability Insurance Co., Dept. 27, 142 Berkeley St., Boston, requesting "How Twelve Companies Saved More Than A Million Dollars".



Admitted Assets: \$29,786,487.87
Surplus to Policyholders: \$5,008,835.03
Liabilities: \$24,777,652.84
At of Dec. 31, 1936

Savings on automobile insurance, public liability and other lines have been 20% or more each year—even greater savings on fire insurance, written by our associate, Allied American Mutual Fire Insurance Company.

1887 — FIFTIETH ANNIVERSARY — 1937

an American Mutual policy
.. an opportunity for 3 profits

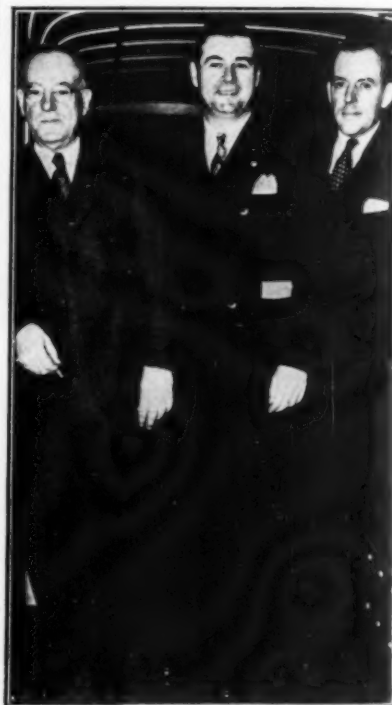
BRANCHES IN 53 OF THE COUNTRY'S PRINCIPAL CITIES

Field Sells a Store

New company formed to buy department store in Seattle. Plans to issue securities.

THE board chairman of Marshall Field & Co., J. O. McKinsey, believes the shoemaker should stick to his last and the big retailer of high quality merchandise to the business of selling such merchandise. All Field moves under McKinsey's leadership, including sale of the Davis Store in Chicago to Goldblatt Bros., Inc., and cutting the wholesale business down to Field merchandise made by Field and subsidiaries, have tended to concentrate a larger share of Field's capital and energy on operation of its Chicago store.

Last week Frederick & Nelson, Inc., prayed to the Securities and Exchange Commission for authority to issue securities to buy the Frederick & Nelson department store in Seattle from Marshall Field & Co., for \$3,850,000. The new company asks permission to issue 400,000 shares of stock, to be sold at a price to be determined later. The money, if SEC approves the stock issue, would cover the purchase price and provide working capital. The store would be operated by its present staff, all former Marshall Field people.



Business Week

STUDY EUROPEAN RESEARCH—J. W. Jay, president, Valentine Sugars, Inc.; Maurice Holland, of the National Research Council; and Chauncey Williams, vice-president, F. W. Dodge Corporation—three members of the National Research Council tour of American business men now in Europe to study research methods and development of new products.

BUSINESS WEEK REPORTS
TO EXECUTIVES ON—

The Profits Of Diversification

For many an American manufacturer the major lesson of the depression was an old one—don't put all your eggs in one basket. The result has been a startling speed-up in the trend toward diversification. The picture of business today shows many a plant producing more kinds of products and sending them to more markets. The individual reasons for the change are economically important, the combined effects are far more significant than is generally realized. To show what has happened—and why—*Business Week* has been making case studies of product diversification in specific companies. The findings (on the next seven pages) should be of value to other companies that face similar problems, are weighing similar opportunities, and might profit by diversification in the same way.



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THERE are strange goings-on in American industry these days. Manufacturers are involved in a program of product diversification that at times is startling.

A trolley bus and street car builder is preparing for the market an automatic cotton picker. A company building lamp chimneys has widened its business with a line of minnow traps. An operator of a chain of hamburger stations makes all types of ready-built steel buildings and paper caps.

The duPont company is a classic example of diversification. From powder to paint to rayon to Cellophane to plastics sounds like a star play in a baseball game, but actually it is the barest mention of the vast diversity of duPont's business. The big electrical companies like General Electric and Westinghouse have diversified from the very start. Other concerns have carried out a diversified program perhaps not so extensive, but just as effective in net results.

Let's look at the situation geographically. In the East we find a company pioneering in a new business of building streamline trains while carrying on an old business of making automobile bodies. On the Pacific Coast is a cigar maker who has taken up idle plant capacity and lowered overhead by manufacturing an assortment of wines. In the Middle West a company making locomotive headlight reflectors is producing a household refrigerator mechanical unit and is now starting to build refrigerator cabinets. For every example named, there are scores of others.

IF you look behind the scenes, you will discover that all these developments have rhyme and reason. Companies haven't walked blindfolded off the deep end. They have dived with full knowledge of the depth and temperature of the water and of their own capabilities as swimmers.

Here is a factory with extra plant capacity. Something must be done with it. After casting about a bit, the management finds a new product unrelated to the old which it can make with its present machinery. The new capital investment is negligible. If the company can hit upon a combination of a product in the durable goods line and one in consumer goods, so much the better.

Perhaps a board of directors is sitting up nights with the problem of how to get away from the curse of a seasonal product. They have been driven frantic with stretches of top operations followed by periods of thumb-twiddling. One way out has been to take on another seasonal product which has its big annual splurge at another time of year. The combination of radios and refrigerators, for example, is a "natural." The two tend to level out the manufacturing and sales curves and give distributors and dealers something to sell the year round.

Diversification isn't new. Many companies trace the diversity of their products back to their earliest days. Example: in 1830 Thaddeus Fairbanks invented and began the manufacture of platform scales. He figured that overhead sales expenses could be reduced materially by the addition of other products. Accordingly Fairbanks, Morse & Co. bought an interest in a windmill factory and in a plant making steam engines.

It was the great depression of the 1930's however that

gave industry its big push toward diversification. Take a look at a company which was going great guns back in '29. Then came the almost fatal crash. To its consternation it awoke to the fact that it isn't healthy to be dependent on a single industry, however lucrative, for one's business. It's much safer to branch out with other products having a wide market. That is what happened to the automobile parts people, and they have been diligently mending the error of their ways ever since. If the country should go into another downward spiral, they will have a cushion of non-automotive products on which to fall. It was natural that they should say to themselves, "This shall not happen again," and it was natural that other companies, observing them, should resolve to make themselves even more secure in the future.

ONE could go on at length enumerating reasons why industry is diversifying its products, but in the main they include: use of excess plant capacity and equipment; the desire to get in on the ground floor of a new industry; elimination of seasonal humps; the ability to sell different products through the same selling channels; stimulation of increased consumption of a basic material in new forms; the discovery that a product at first developed for a company's own use has profit possibilities commercially; utilization of by-products; and the adaptability of a certain production process with which a company has had long experience to the manufacture of new commodities.

Diversification embraces four general types:

- 1) Where new products unrelated to old products are added;
- 2) Where new products related to old products are added;
- 3) Where old products are introduced into a new price field;
- 4) Where the market for an old product is broadened to protect the manufacturer against reliance on customers in one industry.

While this report probes into these four classifications, space limitation permits mention of only a fraction of the examples, and then but briefly. The report is based on an intensive study carried on over the past year by personal investigation and by correspondence with companies in all parts of the United States.

I. Diversification by Means of New Products Unrelated to the Old

SOME products now made by the same company seem as far apart as the antics of Ed Wynn from the histrionics of Greta Garbo, but investigation reveals a connecting link. A frequent reason for introducing a new product unrelated to the old is that part of the existing plant equipment can be utilized in its manufacture. Also workers skilled in fabricating the old product can be employed in making the new because of similarity of operations.

Sometimes a company strikes a rare combination of a product for the durable goods industry and another designed for the consumer's market. Ex-Cell-O Aircraft & Tool Corp. makes machine tools, special machinery and cutting tools. Its business is diversified, but lately it has

Why Diversify?

To use excess plant capacity.

* * *

To employ present equipment more fully.

* * *

To eliminate seasonal humps.

* * *

To guard against dependence on one industry.

* * *

To keep distributors busy the year round.

* * *

To get in on the ground floor of a new industry.

* * *

To supplement a product which has a permanently declining or circumscribed market.

* * *

To make and sell a product first designed for a company's own use.

* * *

To increase consumption of a basic material in new forms.

* * *

To make new products requiring much the same manufacturing processes as the old products.

* * *

To secure larger share of business in same general market.

* * *

To increase sales of an old product by entering new price field.

* * *

To widen consumer channels for the same product.

* * *

To utilize by-products.

* * *

To stabilize a business by avoiding dependence on any one of half a dozen products.

* * *

To secure increased volume, thus cutting overhead and increasing earnings.

gone further by introducing a machine which forms, fills and seals a package of milk in one continuous automatic operation. Manufacture of this milk package machine requires the type of precision workmanship necessary in building machine tools. It dovetails into the company's older products, since it uses the same plant equipment and the same skilled workers.

Elimination of the seasonal factor leads many companies to broaden their lines. International Radio Corp., whose job of making small radio receivers was seasonal and suffered from price-cutting, searched for a new product. The rage for candid cameras was in its diaper stage. German miniature cameras were causing a sensation, but their high prices limited their market. International got busy and perfected the Argus small camera to sell for \$12.50. It was the answer to camera dealers' prayers and has sold in tremendous volume. Camera purchases thrive mostly in spring and summer, radio sales in fall and winter.

Companies play with fire when their business is dependent on fluctuations of a single industry. Automobile parts companies found that out during the depression. They were squeezed badly by the sharp tailspin taken by car

sales and by concentration of car production largely in the hands of three companies. When the realization of what this meant pierced management circles, an industry-wide movement toward diversification started.

Beneficial results are now perceptible. Borg-Warner Corp. had larger profits last year than in '29, yet only 48% of its business was automotive. The remainder was distributed among divisions making refrigerators, washing machines, ranges, air-conditioning equipment and machine tools. In 1935 about 60% of the company's volume was in automobile parts, in 1929 around 85%. This year Borg-Warner's profits are larger than last year's, with most of the gain coming from non-automotive lines.

STEWART-WARNER CORP.'S experience parallels that of Borg-Warner. In 1936 its radio and refrigerator sales contributed importantly to profits for the first time and this year should be even more helpful. The United States Spring & Bumper Co., specializing in automobile springs and bumpers, has gone in for manufacture of spring steel farm tools and highway guards. Motor Wheel Corp., maker of automobile wheels and brake drums, decided several years ago to put some of its eggs into other baskets. It went into manufacture of steel barrels and of oil-burning heaters and ranges. For 1936 the company reports to stockholders, "the oil heater and cooperage divisions account for a considerable increase in net sales as well as in operating profits."

New products often are created to give distributors and dealers a wider line and thus cut down a company's sales expense, at the same time increasing profits. The Scripto Mfg. Co. originally made only mechanical pencils which sold in considerable volume for advertising purposes; later a number of advertising novelties were added and were marketed through the same channels as the pencils. The Petri Cigar Co. first made Italian-style cigars. As the retail market declined, the company began to produce other kinds of cigars. Since prohibition's repeal, it has put wine on its list of products. This venture, supplementing its cigar trade, has not necessitated more factory capacity and has meant larger earnings.

Eagerness to get in on the ground floor of a new and promising industry sometimes is the compelling force behind diversification. Numerous companies recently have delved into the oil burner and automatic stoker industries. Anchor Post Fence Co. and Gar Wood Industries, Inc., are two companies envisioning added profits in oil burners.

FEW industries have stridden ahead so rapidly as the plastics industry and few have had more recruits. Many companies have plowed the plastics field and harvested generous crops of earnings. The interests controlling the Toledo Scale Co. started the Plaskon Co., producer of a urea-formaldehyde plastic material. A few years ago the Reynolds Spring Co. found its spring business in the doldrums and idle plant capacity on its hands. It boldly stepped into plastic molding and today is one of the country's largest molders, selling its products in a number of industries.

Most recent rush has been into the air-conditioning industry. Scores of companies firmly established in older

What Those Who Have Diversified Say About the Profits

(Excerpts from answers to a *Business Week* survey)

Diversity of products is the "life blood" of our company. Today we have six sales divisions, each composed of a variety of related products, all fabricated from steel. We long have made farm service equipment, such as stock watering tanks and bins for grain storage, and steel products for the oil fields (barrels, tanks, bulk oil plants). We fabricate steel buildings to house oil drilling and pumping units and to shelter equipment in other industries. Lately we have introduced a streamlined steel service station. We have added unit after unit to our line of dry-cleaning equipment. Several years ago we introduced in the beauty parlor market a gas-heated hair dryer, particularly salable in parts of the Middle West where natural gas heat is cheaper than electricity. The coal stoker is our latest product. We make industrial and commercial stokers as well as domestic stokers.

—Butler Mfg. Co.

In depression's depths, when capital goods moved sluggishly, we strengthened our position through the addition of a new consumer line: automatic coal burners. The machinery in our plants was well suited to the manufacture of parts for this new product, and there was and still is a heavy demand for stokers. This has come to be an important item among our products. Air-conditioning equipment was added in 1933. And, logically enough, in 1934 we added radios and refrigerators to our list of home products.

—Fairbanks, Morse & Co.

Prior to 1930 our company made farm lighting plants, farm lighting batteries and automobile batteries, and then radio batteries. Development of the automobile replacement battery business occupied the larger percentage of our capacity, along with the farm lighting business. With these two lines of products, a large staff of expert electrical and mechanical engineers was needed. There were times of the year, however, when our engineering services were utilized to the utmost and periods of low production when the engineering overhead became burdensome and certain equipment was operating only part-time.

It was decided to seek additional lines which would tend to level out production and steadily employ our engineering services and our equipment. Because of our electrical and ceramic engineers and laboratories, together with our screw machine facilities and our previous association with the automotive industry, we took on the manufacture of spark plugs. Spark plugs are distributed through the same channels as automotive batteries, and the demand is fairly constant. With punch press and screw machine equipment available, we further diversified by adding roller skates, the sale of which is in seasonal peaks opposite from battery peaks. Development of roller skates led to making a beginner's ice skate and later a roller scooter set (all of which fit into the toy and sporting goods markets). Our automotive lines required manufacture of other items, such as battery test equipment, spark plug testing and cleaning equipment, and spark plug gap gages. Thus we have developed our aggregate facilities and total sales tremendously during the past five years. It follows that overhead expenses have been distributed over a larger number of items. We have been able to simplify our labor problem considerably through use of certain employees in different departments at different times of the year.

—Globe-Union Inc.

To utilize vacant space, create employment for local help and decrease manufacturing costs, we supplemented the production of custom automobile bodies by venturing into the roadside diner industry over two years ago. We developed a car of sectional construction for knocked-down shipment and erection on location to permit an operator to start in a small way and to make additions only when his patronage warranted. About a year ago we began to employ our metal-forming department in the production of refrigerator cabinets. Since we built upon order only, it was unnecessary for us to develop any sales organization to market this item. Finally a natural transition for a former carriage builder was into the house-trailer field, into which we entered last fall. Since the trailers are marketed through a separate sales company, we are relieved of the burden of building up distributing agencies. Aside from employment of a few salesmen in our diner division, the problems resulting from our diversification have been only those of manufacturing, and these, because of our experience in wood and metal work, have been relatively minor. Obviously the volume of our sales has increased, our per unit fixed charges reduced and the local problem of welfare relief somewhat alleviated.

—J. B. Judkins Co.

Our company started as a silver plating concern. This led to manufacture of silver-plated locomotive headlight reflectors, then oil-burning headlights and finally locomotive electric headlights (which included production of turbine-driven generators). Some years ago we decided to diversify our products to level the high peaks and low valleys which seemed inevitable in the railway supply business. We tried manufacture of gasoline-driven electric lighting plants for farm homes and of domestic washing machines, as both products fitted into our manufacturing facilities. These products were not successful, however, because of inability to cope with the sales problems. In 1929 came an opportunity to make a household refrigerator mechanical unit for a large mail order and chain store company. This item fitted into our production facilities but presented no sales problems. Our refrigerator business is now much larger than our headlight business and we are substantially a line production shop whereas formerly we were a job shop. The new product brought us through the depression satisfactorily. We are now going into manufacture of refrigerator cabinets so that we shall soon be making a complete refrigerator, thus entrenching us further in the refrigerator industry.

—Sunbeam Electric Mfg. Co.

During the past three years our sugar mill and diesel engine business was far below the average. To keep operating, we had to go after other lines of equipment which would fit into our various shops. For the last two and a half years we have been making a high-test iron called Fultaloy metal which has many applications where castings are required to resist abrasion and for machinery castings where strength is essential. This metal is particularly adaptable to hydraulic machinery. We are building special machines for one of the country's largest pipe companies and for a large glass company. We also are manufacturing dredge pumps for the government and for private dredging companies.

—Fulton Iron Works Co.

industries foresee future profits in air-conditioning. The Allis-Chalmers Mfg. Co., General Motors with its Delco-Frigidaire Division, Chrysler Corp. with its Airtemp Division, and Surface Combustion Corp. are among the neophytes.

Another new industry is the coach trailer industry. It has lured companies with both related and unrelated products (as well as a flock of brand-new companies). The Royal Wilhelm Furniture Co. now has a Royal Coach Division. The woodworking required in building furniture is closely akin to that in fabricating coach trailers. The automobile people have taken to this allied line like a duck to water.

MANY companies have added multiple products for the general purpose of achieving greater security. Harnischfeger Corp. built a thriving business producing traveling overhead cranes and excavating machinery. The depression struck, and the company hunted for other suitable products. Now it is making electric welding machinery and has developed an all-steel mass-production house. These products have a common tie in involving much welding.

Crosley Radio Corp. is a good example of general diversification. At one time radio receivers was its sole product. Then it took on electric refrigerators, which helped to level out its sales curve. About a year ago it added electric washers and ironers; sales of these items are well distributed throughout the year. Other items have been taken on. A line of electric bottle coolers is seasonal, though its sales are fairly good in winter too (since drinks are artificially cooled in winter as well as summer). A room heater has a year-round demand, but the peak is in the spring and fall when home furnaces usually aren't operating. Another product which is highly specialized is the Xervac, a machine for growing hair. It has an all-year sale, being sold by the company's distributors through a special organization.

THUS Crosley has balanced one seasonal item against another and also provided non-seasonal commodities further to stabilize sales volume. By developing a more uniform volume in all months, overhead is spread over many items.

The Evans Products Co. is an outstanding example of diversification. It began its career with an auto loader installed in railroad freight cars to handle finished automobiles. Aware that the market for this device and replacement demand were limited, the company developed a considerable business in wood flooring and steel-bound containers for fruits and vegetables. It invented the Auto-Stop, a device placed at railroad crossings to guard vehicles from crossing the tracks when a train is approaching. One of its products is a steel partition for transforming railroad freight cars into dual-purpose cars. It recently has announced a vacuum-operated gear-shifting mechanism permitting the car driver to pre-select his gear ratio by means of a small arm attached to the steering column. It is demonstrating around the country an Auto Railer, a vehicle capable of traveling either on railroad tracks or on the highways. Lately it has taken over the Nicholas Lintern Co. which manufactures heating, ventilating and air-conditioning equipment.

Through all of these products Evans is working toward stability of production, sales and earnings.

Sometimes a company runs up against the fact that it has a product for which the market is circumscribed, thus forbidding expansion. That was the experience of the St. Louis Car Co. It originally made street cars. Bus competition became stiff and street cars became less popular, in many cities being edged completely out. Hence the company added trolley buses as a new product and boosted its volume accordingly. Today it is reported developing an automatic cotton picker.

ANOTHER job which companies occasionally are forced to take on is to devise new products to replace old ones which are dying on the market. Some years ago the Fostoria Pressed Steel Co. made automobile fenders for independent car companies, but that business disappeared as fundamental changes took place in the motor industry. The company then turned to manufacture of replacement fenders, which still is its "bread-and-butter" volume. However, it has further strengthened its position in recent years by diversification. It makes a filter to clean coolant used in wet grinding operations in machine shops, a machine lamp for shop use by operators of machinery, and a gasket-sealing compound. All three of these products are aimed at the industrial market (the last also being sold to the automobile trade). The company also is the distributor in Ohio for tubular steel scaffolding which is sold to industrial plants and is rented or leased to contractors. Most of the products manufactured can be made without adding much shop equipment. Four of the items have the same prospective customers.

II. Diversification by Means of New Products Related to the Old

MANY companies diversify by promoting new products related to their old products. Perhaps they see an opportunity for selling related products through the same staff. In 1930 the Household Paper Products Co. began selling goods to housewives from door to door. Its salesmen handled lines made by the company and others for which the company was the selling agent. In some cases it bought the material partially processed and further converted it. Among products manufactured were floor wax, moth control liquids, toilet tissue, and paper floor mops impregnated with furniture polish. The company has grown to substantial proportions and its earnings record has been impressive.

It isn't uncommon for a concern to put on the market a product first developed for its own use. One doesn't have to go farther than the Caterpillar Tractor Co. to find a perfect example. In 1931 it perfected a diesel engine suitable for installation in its tractors. The engine proved so efficient it has been marketed commercially and today the market is so huge that the company is building these engines on a moving assembly line.

IN 1924 the DeVilbiss Co. went into the rubber products business in a small way seeking a uniform quality of bulbs for its atomizers and hose for its spray-painting machines. Now it cannot keep up with its sales of kindred products made for general distribution. Today it

is building a new and larger rubber products plant to replace one constructed in 1928.

White Castle System Inc. is a veteran operator of hamburger stores around the country. Its search for the most economical standardized building for its chain of eating houses led it into the manufacture of ready-built steel buildings. It found that such buildings could be marketed profitably. It also devised for its employees a paper cap which has considerable value from an advertising standpoint for whatever firm uses it. A commercial demand for this product was developed entirely apart from the needs within the company. Thus the company is making in a factory at Columbus, Ohio, two products which fit into its own requirements and for which there is a separate market.

A few years ago a large shipment of steel arrived in Stockton, Calif., for R. G. LeTourneau, Inc. The only firm with hoist equipment capable of handling the steel asked what the company considered an exorbitant price for the job. Overnight Mr. LeTourneau designed and made a two-wheel tractor crane. Today, little changed, the crane is being sold in world markets. Similarly a two-ton jib crane was developed for use in the company's own factories and is now one of its regular products. Recently Mr. LeTourneau designed a lathe which machines various parts of the company's products in record time. A number of the lathes now are employed by the company and the management believes a ready demand awaits them on the commercial market. All of LeTourneau's products are related and logically can be sold through the same distributors, mostly to the same trade.

A SHORTAGE of houses in Peoria prompted the LeTourneau Company there to build all-welded, all-steel houses for its employees. Publicity given these houses flooded the company with inquiries but no decision has yet been made regarding general distribution. Results of the company's diversification are best judged by its profits. In 1933 net earnings were \$105,387; by 1936 they had grown to \$1,364,393.

Scarcely another industry has done so much toward diversification as steel. In recent years a shift in demand has sharply increased consumption of flat-rolled steel (sheets, strip, tin plate) which goes into articles sold in the consumers' market, as against heavier products dependent on the durable goods industries. The result was that companies like United States Steel and Bethlehem, which had more than their share of rolling capacity in heavy plates, shapes and bars, operated at a lower rate than the steel industry as a whole. The past few years there has been a rush to correct that situation. We see Big Steel erecting continuous sheet strip mills in the Pittsburgh, Gary and Birmingham districts, Bethlehem operating a new continuous mill at Buffalo and building another at Sparrows Point, Md., and Jones & Laughlin going into the sheet business for the first time with a continuous mill at Pittsburgh.

It would be hard to find a better case of diversification in the steel industry than that of Republic Steel. It has a broad line of products in the mass market and has directed much energy toward making an outstanding place for itself in stainless steel, a specialty product.

The American Rolling Mill Co. has done a good job

of diversification without going outside the manufacture of the lighter steels. It built its reputation on sheets and light plates, putting special emphasis on specialty products. Lately it has gone into stainless steel, buying stainless ingots from the Rustless Iron Co. (in which it has acquired a financial interest) and rolling them into sheets on its own mills. It also has branched out into production of spiral-welded pipe. Because it had carefully nursed its business with companies making consumer goods, Armco operated during the depression at a higher rate than the steel industry generally.

SEVERAL years ago the Edward G. Budd Mfg. Co. found itself in an uncomfortable fix. Its automobile body sales had sloughed off badly and it had on its hands a huge plant. It was the originator of the all-steel automobile body and held basic patents on the shot-welding process. It proceeded to experiment with stainless steel and out of its laboratories and shops came a new industry—construction of stainless steel streamlined trains. Budd's researches in light alloy steels have also led to building all-metal airplane bodies and buses and trailers for special purposes. In all of these developments shot welding is extensively used.

Owens-Illinois Glass Co. was in the glass container manufacturing business when the depression started. Today, thanks to commendable courage in blazing new trails, it has broadened its horizon tremendously. It is making structural and industrial glass in new forms. Insulux glass block is used for building purposes and fibrous glass for insulation of buildings and industrial equipment, as air filters in heating and air-conditioning units, in textile form such as filtering cloth, and in tape form for insulation of small wires, cables and armatures. Owens-Illinois technicians discovered the speed process by which fibrous glass, first made in Europe, can be produced in vastly improved form for commercial application. When can manufacturers startled the country (and the glass container people) by promoting canned beer, Owens-Illinois invaded the tin container industry in a big way. Benefits stem from stabilized earnings insured by serving more types of industries, including both durable goods and consumer goods industries.

LIBBEY-OWENS-FORD GLASS CO. is another shining example of diversification in a single basic material—glass. Not long ago its production consisted only of safety glass, plate glass and window glass. It recently has paraded several new products before the public. One is a tempered glass known as "Tuf-Flex" which can be twisted or bent amazingly and has great resistance to thermal shock and impact. Such glass is about to create a new industry, the manufacture of all-glass furniture, and now is the basis for a new development known as "luminous architecture." Another new product is a plate glass of special composition identified as Aklo plate, which absorbs the infra-red rays of the sun and reduces the heat load of air-conditioning units. Still another product is Vitrolite, an opaque structural glass of many colors for store fronts and interiors, bathrooms and kitchen walls. Results of the Libbey-Owens-Ford program have been lower overhead and increased production volume on one basic material.

RUBBER companies have kept everlastingly at the job of diversifying their products. Take the case of the Goodyear Tire & Rubber Co., Inc. Back in 1932 it introduced farm tractor and farm implement pneumatic tires, knowing that over forty million wheels on farm machinery offer a potential market for these tires, and farm mechanization is steadily growing. It is believed that ultimately the rubber consumed in this new development may exceed that consumed by passenger automobiles, trucks and buses. To get away from seasonal ups and downs, Goodyear has been prodigal in its inventions, all of which help to balance production better over the entire year.

To mention a few: rubber tiling and Wingfoot flooring for all types of structures; pliofilm which is a rubber product comparable in appearance to Cellophane and used in manufacture of raincoats and umbrellas and for package wrappings and protection of perishable goods; rubber mattress and upholstering material; comic figure balloons (sometimes more than 150 feet long) made of rubberized cotton fabric to be inflated with air or helium gas; and inflatable rubber boats employed extensively by military aircraft flying over water and by sportsmen going into remote places.

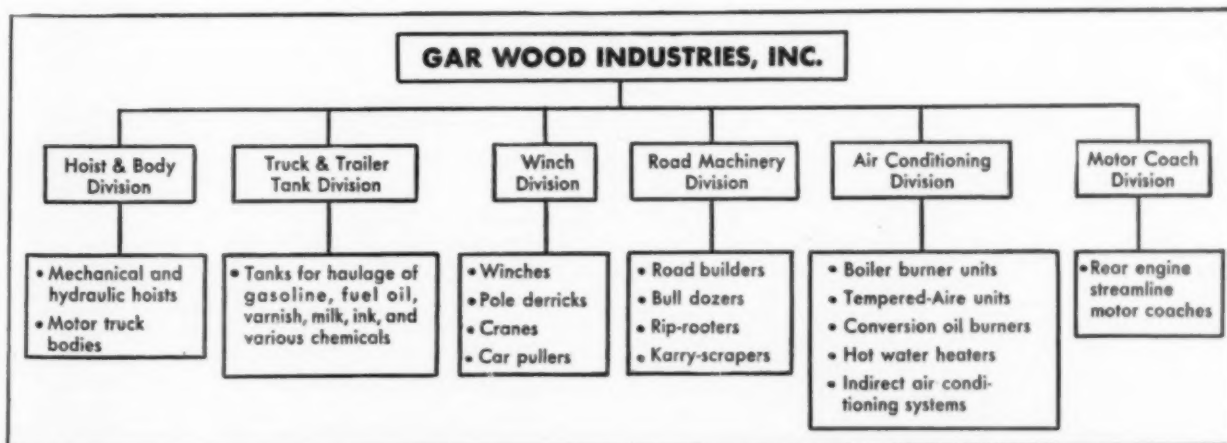
Goodrich Rubber Co. has maintained a far-flung diversification program comparable with Goodyear and so has Firestone Tire & Rubber Co. In all three cases expansion is based on the same basic material—rubber. Goodrich the past two years has brought onto the market Koroseal, which is used to waterproof fabrics and paper, to cover textile rolls, to line acid tanks, to make flexible molds and to coat metal racks; Nucraft, which forms a spring decking in construction of railway, bus, automobile and theater seats and for upholstered furniture and mattresses; rubber springs and insulation for streamlined trains and street cars; acidseal paint manufactured from synthetic rubber; rubber expansion strips for concrete highways; rubber tracks for heavy-duty tractors; and rubber tires for tractors and farm implements.

The history of the Armstrong Cork Co. spells diversification. It has made such wide lines of related products that for many years it has operated through four main and four minor divisions, each with its own sales staff.

Its business is with the consumer trade and with industry. Since 1929 the company has introduced 192 new products, an increase of 74% over the number previously made. In the same period over \$875,000 was spent for research and development work. Many of the new products have contributed to earnings, notably a composition floor tiling known as Accotile; new types of insulating fire brick for high-temperature furnaces and ovens in the steel, oil and chemical industries; wallboards (Temlock) for moderately-priced homes and buildings; asphalt emulsion products for use in the transportation and heavy goods industries; continuous sheets of cork composition (basis for many new products); automotive deadening felt; thermoplastic box toes for shoe manufacturers; and extra cushion cork cots for the spinning and textile industry. Many other new products hold much promise for the future. The entire program puts the company in a strong competitive position and also uncovers certain cognate fields of new activity.

THOUGH it may seem a far cry from the manufacture of epsom salt, magnesium chloride and other chemical products to that of a non-ferrous metal, the Dow Chemical Co. has found a definite relationship. Through its consistent policy of research, the company pioneered the metallic magnesium industry in this country and developed Dowmetal, the world's lightest metal made of magnesium alloy. Its vast interests range all the way from production of Dowmetal in various forms to extraction of bromine from waters of the Atlantic Ocean (in cooperation with Ethyl Gas). Turning out over 250 products today, Dow has built up protection against the devastating effects of bad times, has augmented its volume of sales and aided profits by the diversity of its interests. Incidentally there is a wealth of examples of diversification in the chemical industries.

A favorite and most effective form of diversification is to design new products for the same general market. The Aermotor Co., long makers of windmills for farms, is attempting to cash in on the federal government's rural electrification program by producing electric pumps. The D. N. & E. Walter Co., manufacturer of floor coverings, has widened its scope by adding Venetian blinds to its line.



ONE COMPANY WELL DIVERSIFIED—Gar Wood Industries doesn't put all of its eggs in one basket. As the chart above

shows, the company has diversified in six broad lines, from time to time adds additional, related products.

The Kelvinator Division of Nash-Kelvinator Corp. offers a half dozen products (which it makes) to the home market and sells them as a single package for new homes—an air-conditioning unit, oil or gas-fired automatic boiler, electric refrigerator, electric or gas stove, condensing unit for cooling, and comfort damper.

Sometimes companies shrewdly take on both allied and unrelated products to secure increased volume and cut overhead and manufacturing costs. Earnings of Electric Auto-Lite Co. were up 61% last year, despite higher materials and labor costs—due to a rise of 34% in sales volume, according to President Royce G. Martin. Electric Auto-Lite's broadened operations in automobile accessories are well-known, its most recent new product being spark plugs. Its expansion into non-automotive markets has been less ballyhooed. It is making stainless steel kitchen utensils sold through specialty salesmen direct to housewife, switch boxes and meters sold to public utilities, electric arc welders, outdoor grilles, and a line of golf bags and other leather articles.

In some cases the processor of materials who sells to companies producing consumer goods has dipped into the manufacture of these goods himself and found the results to his liking. Here is the Woolwine Metal Products Co., for years fabricating sheet metal, stepping into the retail field with electric ranges.

III. Where Old Products Are Introduced Into a New Price Field

THE depression upset many a company specializing in quality goods. Sales melted away like snow in a spring rain. Not baffled by this situation, numerous managements decided to try to fill the void by making the same product to sell at a lower price. There are examples galore to illustrate the success of this strategy; the automotive industry is dotted with them. Packard a few years ago was limping along with shrunken sales volume and hefty annual losses. It put a new car, the One Twenty, into the \$1,000 market to supplement its higher-price series and met with instantaneous approval from the buying public. Then a little later it added the Packard Six in an even lower price bracket and further widened its market. Today it is breezing along breaking all-time records and showing nice profits. What Packard did has also been done by many other automobile companies.

Quality furniture makers discovered during depression days to their dismay that the public refused to pay high prices, so they took the alternative of offering, in addition to their regular suites, cheaper patterns designed to meet competition. The cigarette industry took stock of the economy-mindedness of the public and molded its plans accordingly. Philip Morris & Co. invaded the 15-cent field to give the Big Four a run for their money, while the Axton-Fisher people supplemented their Spud cigarettes with a 10-cent pack of Twenty Grands to lure smokers who were counting their pennies. Food manufacturers—notably those in the packaged cereal field—found it profitable to add lower-priced units.

IV. Where the Market for an Old Product Is Broadened to Protect the Manufacturer Against Reliance on Customers in a Single Industry

EVEN companies making one product are shying away from dependence on a few sources or a single industry for their business. The Doehler Die Casting Co. points with pride to the fact that, whereas two years ago its sales were highly concentrated in the automotive industry, today 54% is done with manufacturers of vacuum cleaners, refrigerators, radios, office appliances, railway appliances, and cameras.

Summary

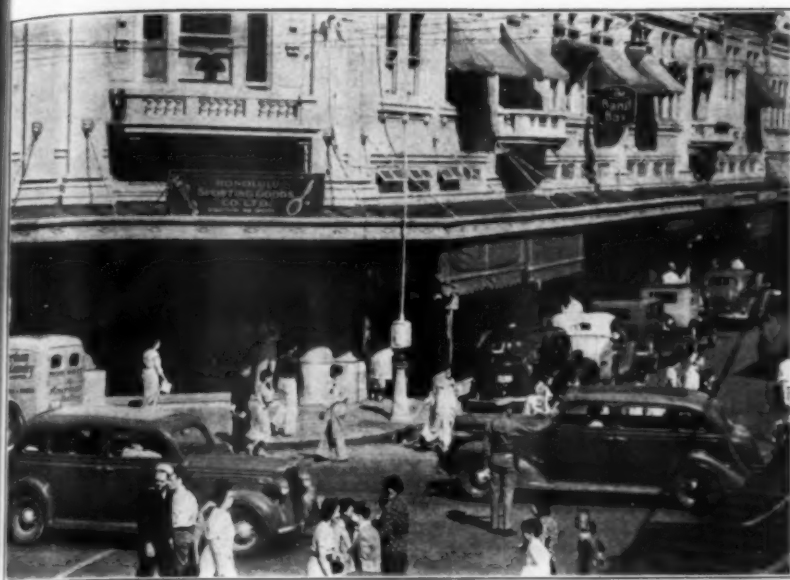
From this panoramic view of diversification, one can readily see that American industry has ingeniously combated the depression and attempted to safeguard its future by careful development of new products. A word of caution, however, is in order. Blind diversification is just as dangerous as blind flying without directional instruments. Before taking off into a broadened program, wise manufacturers make a survey of their plant facilities, of their distributing organization and of markets to determine what types of new products will best fit into their set-up.

Diversification is not a cure-all. To be successful, it calls for skilled management. Properly done it can propel many a company out of a fog of uncertainty into clear business weather. It has possibilities for changing the course of some companies, because new products may eventually overshadow in importance the old.

REPRINTS AVAILABLE

"THE PROFITS OF DIVERSIFICATION"—fourth of *Business Week's* special reports to executives—will be available in reprint booklets. Single copies will be mailed to *Business Week* readers upon request, without charge. Additional copies will be billed at the rate of five cents apiece.

Requests for reprints, whether for single copies or quantities, should be addressed directly to Glenn Griswold, Editor, 330 West 42nd Street, New York City. Checks should be made payable to the McGraw-Hill Publishing Company.



Pan-Pacific Press Bureau

HONOLULU IS AN AMERICAN CITY—You'll find many "types" at the cross section of a typical Honolulu street, but so will you at Times Square in New York City. American business men have learned that pretty much the same merchandising methods that are good in the States succeed in the Islands.

Plan to Sell 17% More in Hawaii

Marketers on mainland increase their sales quotas because of territory's prosperity. Purchases this year will come close to \$100,000,000.

PROSPERITY in the territory of Hawaii is increasing buying power so much that aggressive marketers are projecting a 17% increase in Hawaiian sales quotas this year.

The sugar companies recently distributed a bonus of \$1,250,000 to 44,000 workers, and the pineapple canneries raised wages Mar. 1 by 7½¢ an hour. Sugar money sweetened Hawaii's spending last year by \$73,000,000; pineapple by \$38,000,000.

This year sugar planters will spend \$3,000,000 in improving the housing of 100,000 employees for whom they pay rent, water, light, fuel, and medical bills. About a million and a half of this will go to construct new houses. Another half million will be spent in home modernization. New hospital construction will consume \$185,000; athletic grounds and supplies, \$205,000; roads, \$44,000; water supply, \$350,000, and added sanitation facilities, \$83,000. New construction for April totaled \$500,000, mostly in single family dwellings, and that means an increased demand for home furnishings and electrical appliances.

The islands will buy close to \$100,000,000 worth of goods from the mainland this year. They took \$85,000,000 worth last year. Incidentally, they sold the states \$125,537,000 worth of sugar, pineapple, and other products. That

means a "favorable balance of trade" amounting to about \$40,000,000. Our trade with the Territory is nearly double our trade with Argentina and about 50% greater than that with Brazil.

There's a \$5,000,000 Hawaiian market this year for the automotive industry. About \$3,000,000 will be spent for passenger cars, \$1,200,000 for trucks and buses, and the rest for accessories. There are 26,000 passenger cars operating in the city and county of Honolulu (and that's what is meant by "the Hawaiian market"), 134 buses, 4,601 trucks, and 306 motorcycles. Approx-

imately \$50,000 will be spent for trailers, \$5,000,000 for gasoline, \$815,000 for lubricating oils and greases, and \$1,500,000 for tires.

Manufacturers of building materials and house fittings can expect an expanding market because of the general housing shortage in Honolulu and the efforts to overcome it. There was a \$2,000,000 increase in 1936 operations over 1935, bringing the total cost of new construction to \$5,000,000.

Mainland producers will sell close to \$25,000,000 worth of building materials, household furnishings, and appliances this year. Iron and steel manufactures will take about \$13,000,000 of the expenditure; electrical machinery and apparatus \$4,000,000; lumber and wood products \$3,500,000; paints and varnishes \$1,000,000. The remainder will go for stone, sand, cement, lime, glass products, and clay.

Immediate Needs

The islands right now want plumbing supplies, bathroom fixtures, paints, Venetian blinds, water heaters, and hardware in addition to the usual materials, roofing, wallboard, plaster, and lighting fixtures.

This year's sales by manufacturers of electrical appliances and equipment should total close to \$4,500,000. Hawaii bought \$3,500,000 worth last year, an increase of nearly \$1,000,000 over 1935. The islanders purchased 6,000 electric refrigerators in 1936, and 10,448 radio sets. Of the \$4,500,000 expenditure this year, more than \$600,000 will go for refrigerators, \$450,000 for radios, \$100,000 for electric ranges, \$185,000 for batteries, \$180,000 for washing machines, and close to another million for fans, flatirons, flashlights, and light bulbs.

The islands will buy some \$3,000,000 of industrial machinery, mainly sugar mill equipment and other food machinery. Hawaii's large Honolulu Iron Works (established in 1852) makes machinery from unfabricated materials shipped from the mainland. Purchases of metal-working machinery

Hawaiian Market Indicators

	1935	1936
Wages, salaries, dividends.....	\$95,394,200	\$113,270,200
Army payroll	9,228,448	11,717,451
Navy payroll	8,643,298	9,418,367
Retail sales (3,000 stores).....	98,000,000	119,831,303
Sugar	62,000,000	73,138,057
Pineapple	33,993,659	38,853,794
Tourist	9,825,000	11,100,000
Coffee	1,101,107	1,089,941
Building	3,064,154	4,940,085
Real estate transactions (valuation).....	6,717,540	10,937,525
Army building projects under way.....	1,753,715	4,763,174
Navy installations under way.....	699,475	4,950,000
Stock exchange transactions (Honolulu board)....	7,242,203	8,481,006
Auto registrations (units).....	51,740	53,566
Electric consumers (Honolulu).....	40,416	42,876
Telephones	43,801	47,577

A Business Paper Advertisement Writes Home



Dear Boss:

Here's an unusual Candid Camera shot. Title: "Sale Being Made!"

Yes, sir, Boss - no fooling. The Big Shot pressing one of his ten buttons is summoning his secretary to take a letter. The letter you have probably received by now -- it's an order! And you can thank BUSINESS WEEK for getting me into the throne room here, for this gent is the King Pin when his company recommends a purchase. He's the original Hard-to-Reach boy, with the "Busy" signal always on when salesmen call.

Being in BUSINESS WEEK is a liberal education for a guy like me, Boss. For I get to hob-nob in private with a lot of the Main Crumbs in the Upper Crust of American business -- all lines. Sometimes I don't feel presentable, the way they mark me up and pass me along to other important cogs. (Why, they figure I'm interviewed by no less than 350,000 figure-minded executives a week! It seems like more to me.)

The longer I kick around, Boss, the more I realize what a whale of a selling job the business papers do. Why Boss, if I had your dough -- and your brains of course -- I'd pretty near shoot the works in the business papers. For they're the staffs that Business and Industry lean on -- they have to! They hit the really important men in each specific industry, BOSS -- and BUSINESS WEEK hits more of the bigger ones than any other magazine I've ever been in. Honest, we're knocking 'em stiff!

J. Tellern

P.S. I think we could make even more of a dent in this field, Boss, if you'd expand me into a spread every now and then. After all, BUSINESS WEEK is giving you all these entrees for only a fraction of a cent a call! Don't cramp us, Boss.

MAY 29, 1937

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Business Men
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Business Papers

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American Machinist	Chemical & Metallurgical	Electrical West	Engineering News-Record	Power
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Bus Transportation	Construction Methods and	Electrical World	Maintenance	Radio Retailing
Business Week	Equipment	Electronics	Food Industries	Textile World
Coal Age	Electrical Contracting	Engineering and Mining Journal	Industrial Selling	Transit Journal
	Electrical Merchandising	E&MJ Markets	Mill Supplies	

McGraw-Hill Publishing Company, Inc., 330 West 42nd Street, New York, N. Y.



GOLDEN HARVEST—Sugar is Hawaii's biggest industry. No. 2 is the raising and canning of pineapples. Last year from fields like the one above came some 39 million dollars' worth of pineapples—one reason why American business men are finding the Islands an increasingly worthwhile market for cultivation.

will reach \$200,000, of agricultural machinery \$300,000.

Air conditioning sales jumped last year from \$3,636 to \$34,332, and continue to grow fast. Purchases of office appliances are rising. The present annual market runs about \$400,000.

One of the most startling facts about Hawaii is its dependence on the mainland for daily food supplies, a situation dramatized last fall when the maritime strike paralyzed Pacific shipping. The islanders buy 300,000,000 lb. of food and food products annually from the states, and produce only 50,000,000 lb. themselves.

Because storage facilities are limited, particularly for perishables, the Pacific Coast is used as a warehouse from which is taken each month something like 25,000,000 lb. of meat and meat products, fish, eggs, rice, flour, fresh and canned vegetables, coffee, tea and scores of other foods prepared by mainland manufacturers. Many advertised brands are as much in demand in Honolulu as in San Francisco.

Drugs a Ripe Field

Retail food outlets total more than 300, including two chains, namely, Piggy Wiggly, with nine stores in Honolulu (owned by Theo. H. Davies & Co., Ltd.), and Central Market, Ltd., Yu Fat Zane, president, with seven stores. Retailers buy their goods from six large wholesalers or through the 13 manufacturers' representatives who specialize in food products.

One of the ripest fields for cultivation is drug store merchandise. For the principal items usually sold through drug outlets, the islanders will pay \$10,000,000 this year. Straight medicinal preparations will take \$600,000; soap and toilet preparations, close to

\$2,000,000; beverages, \$2,500,000; cigars and cigarettes, \$2,750,000; toothbrushes, \$45,000; safety razors and blades, \$60,000; writing paper and envelopes, \$70,000.

The women of Hawaii, of all races, are eager for mainland clothes, millinery, shoes, and beauty preparations. They will buy nearly \$1,500,000 worth of clothes, shoes, underwear, hats and hosiery. The men will spend a little more for mainland shoes, suits, socks, shirts, and underwear.

Sugar the Meal-ticket

The distribution setup is linked closely with sugar, and the purchasing power of every consumer is directly or indirectly dependent on the industry. The 100,000 persons who live on sugar plantations and the 44,000 who work in offices, field, and mills constitute the largest buying group. Throughout the islands some 30 plantations "department stores" sell to this trade and they're operated by the "famous five" large sugar factors, Alexander & Baldwin, Ltd., American Factors, Ltd., C. Brewer & Co. Ltd., Theo. H. Davies & Co., Ltd., and Castle & Cooke, Ltd. Store managers requisition their goods through the factors in Honolulu, and orders are forwarded to their buying offices in San Francisco and New York.

Two of the five sugar factors (American Factors and Theo. H. Davies) operate as wholesalers and are one of the five possible methods of distribution in the territory. They supply their own retail stores and the army and navy, as well as retail outlets handling general merchandise. The other four channels: (1) Wholesale dealers specializing in one or more kinds of goods, such as building materials, groceries, wines and liquors. They sell to all

groups including the large factors. (2) Resident agents or branch stores. (3) Commission merchants or manufacturers' agents who maintain no stocks but send orders to manufacturers for direct shipment to consumers. They cover the trade at least twice a year. (4) Large retailers such as the Liberty House Department Store, or shops specializing in certain items like groceries, clothing, jewelry, or sporting goods.

Selling the Islanders

The kamaiina, or old-timer, who has been on the job for years and knows the islands, stresses five fundamentals of successful business there:

(1) Hawaii is not a foreign country. It is a part of the United States and is populated by about 400,000 citizens whose ancestors came from the countries of the Near West (China, Japan, and the Philippines). Racial complexities demand a special selling technique, but distribution channels are controlled largely by men of New England ancestry.

(2) Basic rules of merchandising effective on the mainland also work in Hawaii. Aggressive marketing gets the profits. Newspaper advertising is especially potent. So is radio.

(3) First letters to prospective distributors or agents should be complete, with a satisfactory description of goods, with samples or pictures, prices, discounts, commissions, and terms of payment. Goodwill can be gained by speeding up correspondence via *Clipper* air mail.

(4) Prices should not be quoted f.o.b. factory. The buyer wants to know what goods will cost him on board ship bound for Hawaii or at a Honolulu dock.

(5) A personal visit to the islands is the best way to contact the trade and learn about business opportunities.

New Pure Oil Illinois Well

THE effort of the Pure Oil Co. to develop an oil field in Clay County, in southeastern Illinois, giving it another source of production near the large consuming markets of the Middle West (*BW*—Mar 20 '37, p. 50), moved sharply forward last week when the company brought in what was described as "a minor gusher." Officials say it will produce "several hundred" bbl. daily, compared with 150 bbl. for each of the two wells brought in earlier by Pure Oil in Clay County. It is the first of these wells to spout oil without pumping. Oil was tapped at 3,100 ft., compared with 2,600 ft. in the other two cases, in a limestone formation similar to those of the Michigan oil fields. Pure Oil, of which Henry M. Dawes is president, has recently played an important part in developing the Michigan fields.

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Right—A chemical company needs a new 1200-lb. impeller. Corrosion ruined the first one. This time EVERDUR Metal gets the call.



Above—Non-rust EVERDUR conduit embedded in concrete protects these lead-covered cables, which are carried upward from the generator room



Why Industry is Turning to EVERDUR Silicon Bronze

- Rustless as copper; strong as steel
- Easily worked; readily welded
- Moderate in cost
- Available in all commercial shapes

Each year finds more industrial users of EVERDUR Metal, The American Brass Company's copper-silicon alloy. This adaptable metal has such outstanding advantages that it wins preference for countless diversified uses requiring high-strength and exceptional corrosion-resistance. If you are in the market for a non-rust tank of any size, or for non-rust metal to be used in any other way, consider the possibilities of EVERDUR Metal. It is

available in all commercial shapes—sheets, plates, rods, bars, wire, tubes, shells and ingots for casting. It is extremely versatile in the shop, being readily worked, hot or cold, and fabricated by all methods—including welding. Our research department is at your service. Publication E-5 on request.

A few of many uses for EVERDUR Metal

Tanks and heaters—1 to 20,000 gallons; Ductwork carrying corrosive air, fumes and vapors; Pipe conveying corrosive solutions; Air conditioning equipment; Screens, gates, etc., in sewage treatment plants.

Everdur Metal



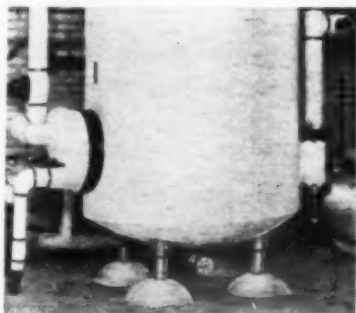
EVERDUR is a trade-mark of The American Brass Company registered in the United States Patent Office.

RUSTLESS AS COPPER

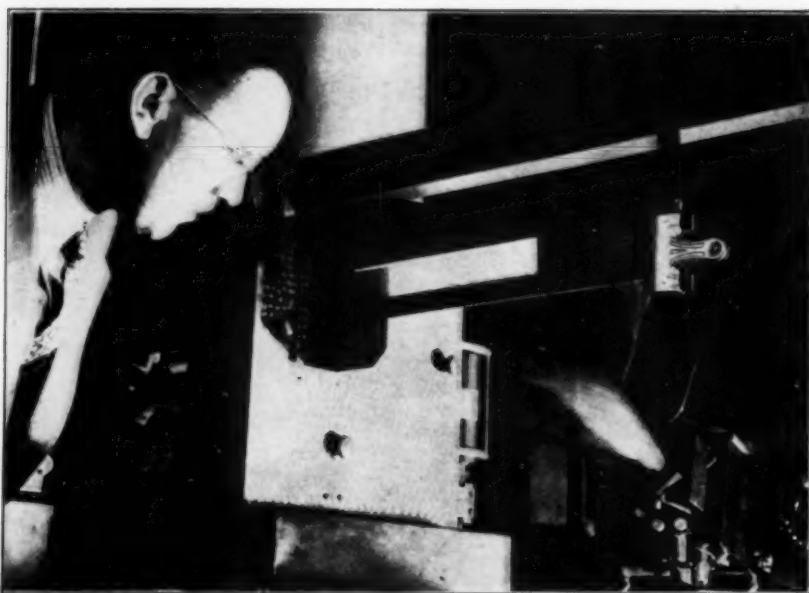
STRONG AS STEEL

THE AMERICAN BRASS COMPANY, General Offices: WATERBURY, CONNECTICUT
Offices and Agencies in Principal Cities • In Canada: ANACONDA AMERICAN BRASS LTD., New Toronto, Ont.

Screws...and marine spark plugs are two of the many small articles made safe from corrosion...because made of EVERDUR.



The Lake Waban Laundry Company, Wellesley, Mass., which handles most of the laundry for Wellesley College students, takes no chances on rust stains. Their storage heater is non-rust EVERDUR.



CAVEAT EMPTOR—Canny customers no longer have to take the seller's word for quality claims. To know the truth about merchandise, all the buyer has to do is take that new suit, raincoat, pair of shoes, or what have you, to the United States Testing Company's laboratory in Hoboken, N. J. There, for a fee of \$1 to \$10—depending on the amount of time and labor required—experts and testing machines tell just what the quality of merchandise really is. Here a stocking is being tested for "runability."

Expect R-P Birthday Crackdown

Federal Trade Commission wants to wind up one of its cases in time for first anniversary of price law. Forces dissolution of chains' buying agency.

WITH the first anniversary of the Robinson-Patman law only a fortnight away, Federal Trade Commission attorneys are putting on the heat to complete some formal action on one or more of the score of complaints that have been issued. Marketing men expect that the occasion will be appropriately marked by issuance of some cease-and-desist order—some action a lot stiffer than either the anticipated settlement, by stipulation, of the case against four cosmetic manufacturers, or FTC's "victory" in forcing dissolution of the Procon Grocery Service Co., a purchasing organization accused of splitting brokerage among the 11 big chains which were its sponsors and sole customers.

Here's Fate for You

Independents who fought to get the Robinson-Patman law enacted feel a bit cheated by the disposition of the Procon case. They had expected that hearings would uncover many juicy details of how the chains contrived to get low prices, and such revelations would have been helpful in the independents' campaign to keep at white heat legislative indignation over price discriminations. These anticipated blessings were denied when the big chains, led by Kroger, First National, National Tea, and Safe-

way, took the easy way out by abandoning the food-buying plan. Nor do old-line food brokers think this action will yield any significant volume to bolster their own declining sales, as revealed in the recent Census of Business. Ruefully they predict that the chains will find other means of buying than through the brokers' offices—legally and without appreciable sacrifice of price advantages.

Push Money Problem

Settlement by stipulation of the case against Coty, Hudnut, Elmo, and Bourjois, charging that their payments of P. M.'s (push money) and their use of paid demonstrators violated the R-P law, has been in the wind ever since the cosmetic industry tangled with the FTC last March over the question of what limitations should be placed on P. M.'s and demonstrators in the industry's proposed fair practice agreement (*BW—Mar 27 '37, p. 44*). This week's annual meeting of the Toilet Goods Association was expected to expedite final agreement and to lead directly to the acceptance by the four cosmetic companies of a stipulation to cease and desist.

Not to be disposed of so easily is the case launched last week against another

cosmetic manufacturer, Elizabeth Arden, Inc. The commission contends that Arden's policies of paying freight on goods to some customers, granting advertising allowances, and allowing quantity discounts up to 40% are definitely forbidden by R-P. The Arden complaint is the first to attack the policy of giving discounts on cumulative purchases made over an entire year.

FTC Likes Brokerage Ban

A second new action, instituted last week, charges Reeves, Parlin & Co., the Tri-State Brokerage Co., and other food distributors with violation of R-P's ban on split brokerage. The fact that the greatest number of complaints issued to date involve this provision reflects not only the strong support accorded the bill by independent food brokers but FTC's apparent conviction that the brokerage ban is the strongest in the law. The first court test may well come on this section, for of the three cases which have advanced to the point of final hearings before the full commission, one is a brokerage case against the Biddle Purchasing Co. But Biddle apparently is not worried by the impending threat, for a fortnight ago it resumed payments discontinued when the FTC complaint was issued last January. The company doesn't label its disbursements as brokerage, but it has announced that such payments as are received from manufacturers will be absorbed into earnings, and, as earnings mount, "salary adjustments" will be made on the service accounts of all clients.

The other two cases from which FTC can make its choice of an anniversary cease-and-desist offering are those involving the quantity discounts offered by the Kraft-Phenix Cheese Co. and those which were operative in Montgomery Ward's purchase of floor covering from Bird & Son, but neither of these cases is regarded as strong. If FTC had its choice it would probably like to take A. & P. into court first, but hearings on this celebrated case promise to drag on a long time. Having hit the high spots in the East, the Middle West, and Texas, FTC is now taking A. & P. out to the Coast for more evidence.

Goodyear Case Next Month

With so many R-P bees in its bonnet, the commission is going to be hard-pressed to defend adequately its historic action against the Goodyear Tire & Rubber Co. when that case comes up for argument next month before the United States Circuit Court of Appeals in Cincinnati. Although that section of the Clayton Act under which suit was brought is now a dead letter, having been amended by the Robinson-Patman act, and although the contract with Sears has long since been cancelled, the trade figures Goodyear is pushing court trial of the case in order to win com-

Abeth Arden, contends that granting additional quantities are definitely Arden company policy of relative pure year.

Ban

stituted last & Co., the other food R-P's ban act that the ts issued to reflects not corded the brokers but that the rest in the well come three cases point of all commis- against the Biddle ap- e impend- ago it re- when the t January, disburse- nounced ived from bed into mount, made on ts. ich FTC niversary hose in- s offered Co. and n Mont- or cover- either of ong. If probably first, but promise hit the le West. A. & P. nce.

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plete exoneration and forestall the possibility that a private suit may be instituted against the company to collect triple damages.

New Copper Quotas?

Anaconda and Kennecott officials go to London to discuss limitation problem.

THESE are interesting days in the world copper trade. Important decisions are in the making on price, production, and policy. The visits to London of Cornelius F. Kelley, president of Anaconda Copper, and C. T. Ulrich, vice-president and treasurer of Kennecott Copper, are more than coincidental.

Foreign production of the red metal has risen spectacularly, domestic pretty rapidly. Consumption is running very high—probably ahead of the 1929 record, on an annual basis—but output has been catching up. Prices have been shaken down. The subject of once more clamping restrictions on foreign production is to the fore.

Tough Decision to Make

A few days ago the heads of the big foreign companies got together and it was felt that control over output might be reimposed. But nothing came of the idea.

Suspicion is that the present prices—about 14¢ in the United States and 14½¢ a lb. in London—and low visible supplies were the stumbling blocks. Should the big companies cut production and guarantee a prosperous 14¢ market for the marginal producers, or should they knock the price down to, say 12¢ or 12½¢, cut off a lot of the high-cost mines, and go ahead full blast themselves?

It's not a simple decision. Production costs, including labor, are rising. Some of the big producers would like to take some profits from 14¢ copper and plow them back into development of new properties and ore bodies. Fabricators, too, may be in the market for new capital, and fluctuating prices don't do their earnings statements any good; erratic earnings don't do the market for their securities any good. There is a question too, whether it is advisable for the big companies to deplete their properties by flush operations at a reduced price.

What the Statistics Show

The industry's statistics still are susceptible to diverse interpretation. Apparent consumption in the United States in April hit a high of 95,884 tons against 59,700 a year ago while production of refined copper was 83,178 tons against 58,800; stocks of refined copper were down to 99,576 tons against 233,800 a year earlier. Similarly, world

apparent consumption was 216,877 tons compared with refined output of 191,809, and stocks were down to 283,363 tons.

In other words, the tight spot situation persists in spite of the marked increase in production. But it is significant that world mine output in April rose to a new peak of 177,831 tons against 148,950 last December. There has been a steady rise, and the peak is not yet. That's why the foreign producers, who removed the quota limits entirely late last year, are beginning to

think it might be well to put them back on.

Adding to concern is the ever-present uncertainty over invisible supplies. Fabricators and speculators, in times of rising prices, buy ahead; they stock up with metal that they don't necessarily need.

That is what did happen in the early months of this year, and the question is now if some of this apparent consumption copper won't come back on the market at any further signs of price weakness.

Whatever it is... wherever it is... insure it in the Hartford. For nearest agent phone Western Union



"My car has better protection at no extra cost"

Some time you may need the service of an insurance agent in a hurry.

Then the speed and ease with which you can get in touch with the Hartford Fire Insurance Company or the Hartford Accident and Indemnity Company are really added protection—but without added cost.

Wherever you may be just telephone Western Union (in Canada call Canadian National Telegraphs). Ask for the name and address of the nearest Hartford agent.

This service is supplemented by the Hartford's motorized corps of claim men, ready at all times to come in answer to your need.



**HARTFORD FIRE INSURANCE COMPANY
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Enables you to haul your
loads at lowest possible cost



Ask your Ford dealer about
Specialized Transportation
... set a date for an "on-
the-job" test under your
own operating conditions.

FORD V-8 TRUCKS

Aetna Life Leads in number of
group policies in force!



All Forms of
Group Insurance
Life • Accident
Sickness • Pension

Through our trained Group Representa-
tives we are equipped to analyze your
employee's social problems and recom-
mend the proper plan for your
organization.

AETNA LIFE INSURANCE COMPANY
Founded in 1850 Hartford, Connecticut
COAST-TO-COAST CLAIM SERVICE

New Products—New processes, new designs; new applications of old materials and ideas.

WHOEVER has thrust index fingers into the ends of a Chinese braided "finger holder" and has found them held securely thereby, will understand the principle of a line of electrical holding devices manufactured by Kellems Products, Inc., 1911 Park Ave., New York. First item to appear was a cable puller whose tightly clinging wire meshes gripped so firmly that insulation was undamaged. Next was the "Breather" grip for supporting electrical service cables between transmission lines and buildings. With a three-wire



Business Week

cable, these little woven-wire devices replace the unsightly conglomerate of separate lead-in wires and insulators usually seen on the exteriors of other-wise sightly buildings. Latest item is a grip, woven out of 3/8-in. steel cable, which will extract piles from 14 to 18 in. in diameter. So evenly spread is its hold on the piles that it will not cut through decayed wood. The Chinese finger holder has grown up with a vengeance.

If there is one thing harder to find than a keyhole in the dark, it is probably the push button of a suburbanite's door bell. J. K. Kavakos, 594 East 16th St., Brooklyn, brings out "Dicto-Lite," the illuminated push button whose bright rays will even illuminate a name plate mounted at top or bottom.

NORMAL procedures for securing printing with high gloss consist either in adding varnish to the ink or in super-imposing varnish on the ink impression. Under the "Nu-Brite" process of G. A. Ackerman Printing Co., 727 W. Van Buren St., Chicago, the paper itself is first coated with a secret chemical which adds no gloss whatever. Subsequent type impressions made with special inks emerge from the press with all the shine and sheen of patent leather.

UNDOUBTEDLY taking a hunch from a rechargeable "Sparklet" siphon, whose cartridge of compressed carbon dioxide gas has put sparkle into tall drinks the world around, Walter Kidde & Co., Bloomfield, N. J., employs a similar, but larger, CO₂ cartridge as propellant for

pure water in its newest fire extinguisher. This is not to be confused with extinguishers employing the gas as extinguishing medium. The Kidde extinguisher is a pure water unit of 21-gal. capacity, discharged by gas pressure rather than the more orthodox soda and acid.

TESTS just completed by University of Washington's College of Forestry for Douglas Fir Plywood Association, Tacoma, indicate that this versatile material "as a base for Western red cedar shingles provides the necessary nail-holding qualities even when 5/16 plywood, the thinnest tested, is used."

FIRST location for the automotive storage battery was a more or less slightly black japanned metal box perched precariously on a running board. Streamlining moved it inside a skirt joining running board and frame. With the passing of skirts on automobiles as well as bathing suits, the battery found itself in unreachable locations under floor-board and front seat. Comes American Forging & Socket Co., Pontiac, Mich., with a new cabinet home



Business Week

and new location for the battery under the hood. Special insulation and air ducting assure the battery of efficient summer and winter operating temperatures.

As moisture-proof paper has evolved into higher and higher degrees of water-proofness, package manufacturers have run into increased folding and printing difficulties. Meanwhile Kalamazoo Vegetable Parchment Co., Kalamazoo, Mich., has been working on a 60-lb. paper which would eliminate some of these troubles. Result is a product which folds, prints, and glues readily. Test bags of ground coffee, totally immersed in water for 96 hours, show no penetration; condition of coffee is unchanged. Interesting results are being obtained when such difficult chemicals as calcium chloride and Glauber's salts are protected with this "KVP Special 202" paper.

Japanese Shift Their Foreign Policy

Era of military conquest on continent comes to close. One big cause of change is London. Islanders undertake new economic drive in South Seas.

A CHANGE is developing in the trend of Far Eastern affairs. The period of Japan's bold military conquests in Continental Asia, which started with the Mukden incident in September 1931, has come to an end. Whatever sporadic army moves may be made in North China will for the next few years be secondary to a new economic drive which is going to be made in the South Seas, and even this will lack the dash and self-confidence which marked Japan's foreign policy between 1931 and 1936.

There can be no question that Japan is wavering. A year ago, Japanese troops were boasting that they would force the wedge between China and the Soviet Union all the way across Inner Mongolia. Today, Japanese troops are withdrawing from this region to the Chahar-Jehol section of Manchukuo. And without the assurance of military backing, Japanese industrialists show reluctance to invest in North China.

A year ago, *Business Week* showed how Japan was attempting to force its way into the very stronghold of British and American trade zones in Central and South China by bringing diplomatic pressure on the Chinese government at Nanking for concessions following a series of "incidents." That phase has ended. Tokyo officials are "discussing" rather than "dictating"

policies at Nanking, and there are fewer tensions over situations in the south.

The most significant evidence of the changed situation in Japan came early this year when the cabinet in office failed miserably to win the support of the public in a general election, held at its insistence after parliament had been adjourned. But the Hayashi cabinet refused to resign, and matters are simply drifting in Japan.

Hayashi Group Fails to Satisfy

It should be pointed out to the reader who does not follow political developments in Japan closely that the Hayashi government really represents the moderate—comparatively liberal—military group in Nippon, and that it is in office because the radical military group realized that they were too unpopular with the general public to win parliamentary support if their real leaders sat in the cabinet. But the Hayashi group has failed to satisfy either the populace or the military crowd who are attempting to run affairs in Japan.

A fourth evidence that Tokyo is wavering came when feelers were put out in London for a new pact of Anglo-Japanese friendship. Behind it is the desire to come to terms with London over the China situation before the situation deteriorates further and while



Keystone

JUNK, BUT IT'S VALUABLE—And foreign countries, notably Japan and Great Britain, have been taking it in quantities. Shipments of scrap on old orders to Japan have been heavy in recent weeks from both New York and Boston, though the Japanese have been temporarily out of the market. Last year Nippon went into the world markets for a million and a half tons, getting most of it here.

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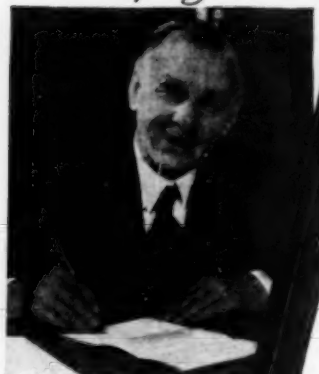
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Japan still appears to be in full control of the situation in the north. Also, Japan would probably like to borrow in London.

There are a good many reasons for this change in Japanese policy in the Far East, but six of them are representative enough to explain the shift from almost every angle.

1. The Soviet Union has built up defenses and a sustaining war machine in the Far Eastern region so formidable that even radical Nipponese military leaders are unwilling to provoke trouble over Soviet territory. It is generally admitted in Japan now that if any move was to have been made to free the Island empire from the menace of a strongly fortified Vladivostok, it should have been taken in 1932 or 1933 before Moscow was prepared to strike back.

2. Manchukuo has failed to pay the quick returns that many had expected in Japan. Mineral resources are modest, and demand huge investment before they can be worked for large profits. Agricultural output is not great, and the attempt to teach the farmers to grow new crops especially needed in Japan is progressing slowly.

China United Behind Nanking

3. China has accomplished the "impossible." The central government at Nanking has succeeded in uniting the country, and in building up gradually a transportation and communication system which promises to increase the government's hold over the country as a whole. United action from both South and Central China is a worry to Japan, weakening its already tenuous hold on the Peiping-Tientsin region.

4. The anti-Communist pact with Germany has caused trouble all around. Russia is naturally bitter about it. While France and Great Britain hold no brief for communism, they resent this threat from the "have-not" nations.

5. The real change in Japan, however, has been caused by London. When the British announced their vast new rearmament program—particularly when they started their \$40,000,000 5-year defense program at Hong Kong—Japan began to be worried. When this was supplemented with Chinese development of Hainan island (between Hong Kong and Singapore), supposedly with British financial backing, it changed the whole outlook to the south. Military or naval aggression in this region in the future will meet with firm action from the half dozen western powers which have rich colonial possessions in this part of the world.

6. Britain's new activity in the Far East is evident from another angle. The British are investing again in South China. It has been going on for a year, and is picking up momentum. Capital is going into steel mills,

railroads, mines. British salesmen are active again in Canton, Shanghai, Nanking, and Hankow. They are behind the Hainan development.

What does all this mean to business?

Political Aggression Ending

The period of Japan's major political aggression in China is over. It may or may not have given Tokyo a permanent hold over territory that was Chinese until 1931; it certainly has given Japan a preferred economic position in the populous Chinese market north of the Yellow River.

For the first time since the revolution 25 years ago, China is united behind a leader who is able to push his policies for developing the country economically, and able to deal with some firmness on foreign policy. China will be a more stable market, and a more important one for materials which are necessary in building the transport system and industries.

These two factors—the strengthening of China and the assurance that Japanese military escapades are not going to continue—will remove many of the uncertainties which have prevented investment and development of the world's most populous market.

The feelers for an Anglo-Japanese accord will mean something only if the United States, the Soviet Union, and France are called into the consultations, and if China participates. The success of the idea depends on the success of the imperial conference, now sitting in London. If it fails, the outlook for peace in the Far East will not be so bright. If, at London, the British Empire decides to cooperate with the United States in a vast program to expand world trade and so, ultimately, to end the armament race, Japan is almost certain to bargain as best she can for a new deal in the Orient.

Japanese Shipping Gains

In the meantime, the Japanese are making tremendous gains in the economic penetration of rich Far Eastern markets. Japanese ships now carry the bulk of the cargoes in the runs to New York, to India, and to Australia. In ocean-going ships of 2,000 tons or more, Japan now ranks second only to Britain.

Japanese merchants are cooperating with the government in exploring trade possibilities in the South Seas, through two newly organized, government-backed trading companies now operating from Formosa.

Business reaction to the future is fairly well evident in the report of the Japanese economic mission which visited China recently, and recommended friendly cooperation rather than aggressive pressure. The military authorities overruled the proposals, but the moderates may yet win.

Business Abroad

Germany prepares to export new synthetic cloth and rubber. British business resents excess profits tax, even with modifications. Soviets plan mass production of American airplanes; will produce helium.

THERE were no new outstanding developments in world business this week, but numerous indications that behind-the-scenes developments of an encouraging nature were taking place. European diplomats have been on a round of visits to European capitals since the coronation in London, and what little news has leaked out of these conferences is encouraging. Evidently, these representatives have discussed specific concessions which their countries are willing to make as a part of the international deal which it is hoped is being cooked up.

In London, empire discussions have apparently run into no unsurmountable difficulties, though specific developments are not revealed. It is evident that efforts are being made to come to terms with Germany, and that Berlin is interested. Rome-Berlin relations are cool just now, and Mussolini is particularly isolated as a result of his snub to Britain just when the world's leading statesmen were gathered in London to discuss their problems.

The gold problem has not been removed, but it is causing much less concern this week. Business is continuing to pick up in almost every country (page 56). Whether or not the Spanish affair is settled in the next few months, it is obvious that Germany is eager to get out, and that Italy will be bound to agree to such a plan if the Anglo-French proposal is upheld by all other nations.

There is small prospect that Italy's Ethiopian empire will be recognized by the League of Nations in its present sitting. While France is willing, Britain is compelled to hold back because of the opposition of South Africa and New Zealand.

A political crisis is possible in Bel-

gium. The Liberals are threatening to withdraw from the government coalition. And in The Netherlands, the outcome of the latest voting is being watched closely for the number of Nazis who are returned to parliament.

Soviet Union

Moscow pushes mass output in aviation industry on United States model. First helium refinery is under construction.

MOSCOW (Cable)—Announcement this week of the contract which was placed in New York with the Seversky Aircraft Corp. for \$780,000 worth of airplanes and the equipment to reproduce them in the Soviet Union gives point to recent announcements that Russia is concentrating on the improvement of airplane production and on straight-line mass production.

The Seversky contract, according to the Amtorg Trading Corp., which placed it, involves the construction and manufacturing rights on amphibian airplanes, and provides a working agreement over a period of three years during which the Seversky Corp. will assist the Russian government to produce these planes in Russia on a large scale.

The early effects of intensive mechanization of the aviation industry were strikingly evidenced at the May 1 aerial display this year when more than 900 Soviet fighting machines were flaunted before the eyes of German and Japanese military attachés viewing the demonstration from the Red Square tribunal. It is probable that many, if not most, of the 300 tiny, snub-nosed, speedy, pursuit planes and the 100 large, fast, two-motored bombers have been built quite recently. At the 1935 demonstration, only five of the pursuit planes and none of the bomber type were in evidence.

Although no specific figures are given, it was officially stated recently that Russia has nearly quadrupled the number of her military planes since 1932, while last year's output was described as twice that of 1935.

Despite the large capacity and output of Soviet aviation plants, the Vice-Commissar of the Defense Industry in charge of aviation has declared that manual, unmechanized labor is still being applied on a tremendous scale. It is this condition which the Kremlin is determined to rectify during 1937.

Russia Has Helium

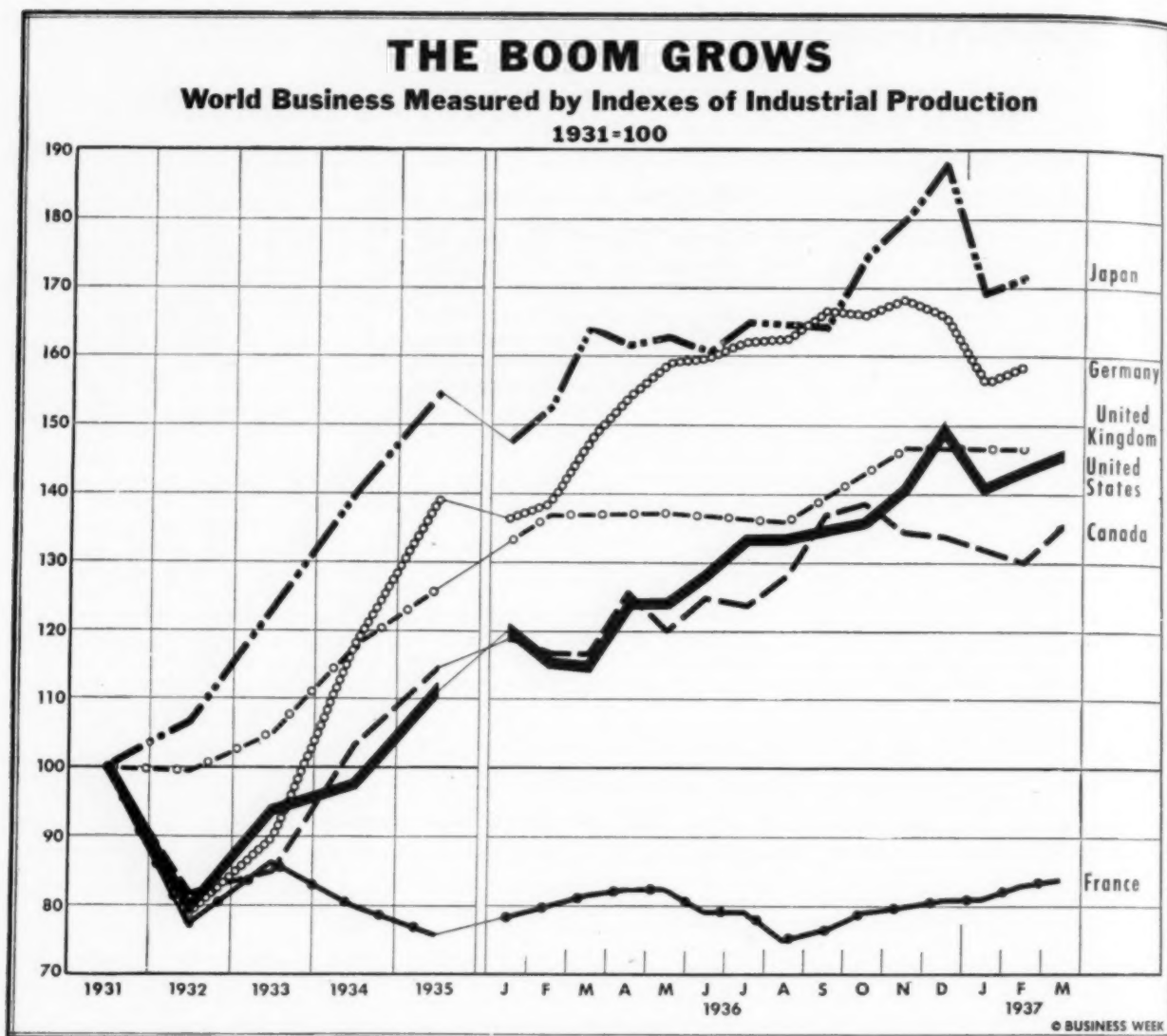
"No Hindenburg disasters for us," is the implication of an announcement just made in Moscow that the Soviet Union is beginning the construction of a large helium plant this year. Designs have been completed by Soyusgas, the All-Union Trust for the production of natural gases and helium.

In a special plant somewhere in central Russia, successful experiments have been going on for some time in the extraction of helium from natural gas. Helium deposits are declared to have been found in numerous parts of the country and soon after completion of her first helium plant, Russia expects to produce sufficient domestic helium for her growing fleet of dirigibles.



NEW LAND OUT OF THE NORTH SEA—Final work is being done on a huge drainage project on Germany's North Sea frontier. In the course of time there will be green pastures and additional acreage for tillage where yesterday there was only

sea. The picture at the left shows a general view of the reclamation project, similar to the work done on the Dutch Zuider Zee. At the right, a long line of German boys from a labor camp wheel soil along one of the levees.



Great Britain

Excess profits tax is only slightly modified. British business makes new gains.

LONDON (Cable)—Business interests are still bitter over the "growth of profits" tax which has been introduced in the government's finance bill with only mild modifications in spite of the vociferous protests sent to Mr. Chamberlain in the month since it was first announced (*BW*—May 17, p. 50).

The Chamberlain tax on excess profits is really a super tax aimed at businesses which are benefiting especially from the rearmament. It is a part of Chamberlain philosophy—which is especially worth remembering as he becomes Prime Minister—that the mounting costs of rearmament must be covered as they accumulate, and that they should be met by that part of the population best able to afford it. It meets in part the popular demand

that there be no excessive profiteering on the huge war orders placed under the 5-year, \$7,500,000,000 rearmament program.

Under the original plan, profits up to 6% in public corporations, and 8% in private corporations, were to be exempted from the new supertax. After this credit was allowed, profits up to 10% of capital were to be taxed at the rate of 20%; those between 10% and 15% at 25%; and all profits above 15% were to pay 33⅓% to the government as their share of the "defense contribution." Base years for computing the tax were to be 1933-34-35.

Major change in the tax as finally introduced in the government's finance bill is the addition of 1936 to the base years. Many industries which were just working out of the slump, and a lot of new industries, insisted that 1936 be included in the base years, and the government has agreed to this. Also, the 10% tax is now to be assessed on profits amounting to 6% to 12% of

capital, and at 25% on 12% to 16%. Further, definition of capital is clarified to mean actual cost of assets less proper provisions for wear and tear, which removes the criticism that a company which has written down its assets will be placed at a disadvantage with those which have not done so.

In London, the fact that the tax is now a part of the finance bill means that it is the same as passed, unless there is a revolt among the government supporters, and this is not expected.

This means that business knows the worst. Stocks were off slightly when the news broke, but are expected to overcome this weakness.

Hopes for an Anglo-German understanding have been increased as a result of the Berlin conversations of the British ambassador and Foreign Minister von Neurath, but there is still a distinct division of British opinion between pro-Germanism and pro-French.

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value than in March, 1936, due, probably, to pre-coronation buying.

The Ford Motor Co. of Great Britain has just made a favorable report to stockholders. Sales of the £100 popular Ford last year were double sales in 1935. The number of workers at the great Dagenham plant has increased to 11,567 from 6,780 in 1934. Exports from the British plant last year amounted to 26,502, in contrast to 10,639 in 1934.

Canada

Alberta's Social Credit government faces test in June. Dominion will build powerful broadcasting stations.

OTTAWA—The customary official secrecy surrounding the Empire conference in London is the reason for many wild rumors concerning what is going on. This week Dominion markets are gossiping about the prospect of entire British industries being moved to Canada. One group insists such a move would be due to population pressure in Great Britain. A more plausible reason would be for defense purposes. But few people look for any such moves without a great deal more consideration of the plan.

Ottawa is without information as to what may be transpiring in London regarding gold. Nothing can be gleaned concerning the rumored discussions by Empire central bank heads about re-establishment of a gold standard. Gov. Graham Towers of the Bank of Canada is in London and it is thought something of importance may be under consideration.

Social Credit Test

The Alberta provincial legislature meets in June, and a good many Dominion observers believe that it will mark the end of the Social Credit government because of growing dissension in the ranks of the Aberhart followers.

Premier William Aberhart claims he has not had time to put the Social Credit system into operation, but more enthusiastic and important followers want immediate action. In London, Major C. H. Douglas, originator of the Social Credit idea, continues to shelve appeals that he return to Alberta and practice what he preaches, but this week he has agreed to send "commissioners" to investigate the situation. Others think that before further Social Credit investigation can get well started the province will have returned to normal ways of government. Prospects of considerable development of the Alberta oil field increase impatience for the coming of that time.

Broadcasting transmitters are being constructed for two new 50,000 watt

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DIONNES INVADE BELGIUM—Advertisers here in the United States have paid huge sums to Canada's quintuplets for the right to use their names in product selling, and have found themselves well repaid in rising sales. But the quins' promotional value isn't limited to the western hemisphere. In the photo above, five nurses carrying dolls are shown wheeling baby carriages along a Brussels street. It was a publicity stunt to boost sales of a Belgian product the quins endorse.

stations to be erected at once by the Canadian Broadcasting Corp., one near Montreal, the other near Toronto. While Canadian authorities still hope for equitable division of broadcast channels among North American countries, C.B.C. believes that the only sure way of shutting out United States and Mexican interference with Canadian stations is in increased power. As money becomes available it will erect other 50,000-watt stations. There is only one 15,000-watt station, at Winnipeg. Most important stations operate on 5,000 watts. Many of them are being blanketed by outside stations encroaching on their channels.

C.B.C. proposes to extend its operations from the present 6 hours daily to about 12 hours before the end of the year, necessitating largely increased program production.

France

Trade talks with Schacht expected to bring new German pact. Tourist influx begins.

PARIS (*Wireless*)—The Paris Exhibition—France's bid for the summer tourist business—opened this week with more of the exhibition halls finished than had been expected because of the continuing labor difficulties which have confronted fair officials ever since the big show was planned.

To international business, one of the features of the week was the arrival of Dr. Schacht to participate at the formal opening of the German building. Later he carried on conversations with French officials which are expected to lead to some new trade understanding.

Though rumors are scouted that Russia and Germany may yet come to terms on a plan to increase Soviet pur-

chases in Germany, and make payment for them in gold, it is likely that any such plan might be developed in Paris because of the good relations between French and Soviet authorities, and the desire of France and Britain to help Berlin find a way to join the rest of the European powers in expanding foreign trade and redistributing gold.

Soviets Paid in Gold

A few years ago, the Soviets made fairly large gold shipments to Germany for the settlement of accounts, but in recent months they have balanced their limited purchases with shipments of Soviet raw materials. With the expansion of Soviet industry and the increasing demand for many of the materials which Germany needs most, Moscow may be willing to settle in gold, of which the Russians have large stocks on hand and are steadily increasing their output.

The Geneva conference to consider methods of helping to make available to the "have-not" nations larger quantities of raw materials is scheduled to meet in a few weeks. It is generally believed in Europe now that more will be accomplished along this line at the Imperial conference in London and in succeeding negotiations with individual countries than at Geneva.

The Bourse has been inactive all week, and rentes are weak. The political truce to which labor and management have agreed for the duration of the exposition has improved the immediate outlook, but the unbalance of the budget makes it difficult for the government to cover recurrent deficits with fresh borrowing. Increased demand for francs by the tourists who are already flocking to Paris may help the situation by allowing the Stabilization Fund to strengthen its position by selling francs. Some agreement to ease trade

barriers and end the rearmament race in Europe, however, will do more than anything else to help France out of a difficult situation.

Germany

Berlin prepares to export artificial textiles and rubber. Petroleum industry is nearly ready to meet home demand.

BERLIN (*Cable*)—Three developments in Germany, all parts of the country's Four-Year Plan to obtain freedom from foreign supplies of essential raw materials, attracted the special attention of world business in recent weeks.

In a speech at Essen in the heart of industrial Germany, one of General Göring's assistants in the administration of the Plan declared that within 18 months Germany would be able to produce all of the gasoline necessary for home consumption, and within three years all of the motor fuel. Germany imported mineral oils from the United States in 1935 worth more than \$10,000,000.

He also declared that Germany is now setting aside for export (though production is still far from meeting home demand) 10% of the production of the new artificial textile material known as *cellwool*. As a novelty, it may attract some attention abroad, though most Germans admit that in the present stage of its development it wears and holds its shape less well than the natural textiles it is meant to replace.

Threat to Rubber

Finally (and this announcement is a real source of worry to the rubber industry), Germany will soon be prepared to export Buna, the new synthetic rubber which has been developed at home under large subsidies from the government. Germany has been an important market for many years for natural rubber and its products. Though the costs on the synthetic product are still high, chemists believe that they can be reduced as the original experimental costs are written off and the new product is produced in quantity.

This is one of the fears behind the shaky price situation on the world rubber market. Another is the knowledge that the Soviet Union, ultimately a larger potential user of rubber than the United States, is making rapid progress with its own synthetic rubber and so is cutting sharply its imports of raw natural rubber.

Since Germany produces insufficient cellwool and Buna for home consumption, the decision to export is so far little more than a gesture, but alert business executives are watching developments closely.

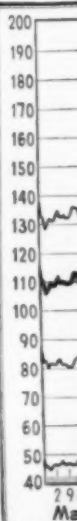
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Money and the Markets

It's hard to figure out a market that turns down for no apparent reason. Big Steel's new preferred dividend is a step toward payments on common. General Refractories acts to avoid tax.

WHEN stock prices are scraping along near most recent bottoms, with trading volume very small, then everyone interested in securities starts to scan the news and the technicalities of the market itself for some clew to the trend. And, while this is going on, anything can happen and it's just about the hardest thing in the world to figure out why.

The events of last Tuesday afternoon are typical enough. For five trading sessions in a row modest advances had been recorded. Then, in the last hour on Tuesday, prices turned down fairly sharply.

Now if the dip had come on Monday it would have been easy to find excuses, if not good reasons. John D. Rockefeller, Sr., had died the day before; the Social Security decision came out at noon; the President's new proposals to control hours and wages coincided with the Social Security decision; the independent steel companies' labor crisis was apparent. But, with all that to chew on (and none of it could be construed as favorable, even though not downright bearish), stocks held a little better than even on Monday.

Big Steel's Surprise

Of course, a moderate budget of adverse news doesn't matter much when the trend of prices is upward. But even a little bad news is often a backbreaker when there isn't any pronounced trend. So, after weathering Monday's news, there wasn't much reason for a turnabout on Tuesday except for the break in wheat.

That it wasn't a forward-looking reaction in prices is fairly well established

Couch, Railroader

Arkansas' "most prominent citizen" (plaque in recognition, 1933) and the "man who did the most for Pine Bluff," Ark. (loving cup, 1925). Harvey Crowley Couch this week was named chairman of the board of the Kansas City Southern Railway. In his sixtieth year, the prominent Southwestern utility man, former Reconstruction Finance Corp. director, and one-time Red Cross official becomes a railroad magnate.

Mr. Couch's purchase of a "substantial" interest in the Kansas City Southern recently signaled close cooperation with the Louisiana & Arkansas road, headed by his younger brother, Charles Peter Couch. Harvey started life as a drug clerk, and shortly entered railway mail service; Charles began as a railroad fireman. Closely associated in the development of the Southwestern utilities, the brothers now become collaborators in rails.

by the fact that U.S. Steel directors declared a \$2 dividend on the preferred, unexpectedly, after the close of the markets. The financial community knew Big Steel's board was meeting, but it would hardly have sold the common

down more than 3 points if the dividend action had been anticipated.

Only a month ago the U.S. Steel directors declared a dividend of \$5.75 on the preferred; action wasn't expected again until the next quarterly meeting the end of July. But steel is booming and the board has gone one step further toward eliminating preferred arrears.

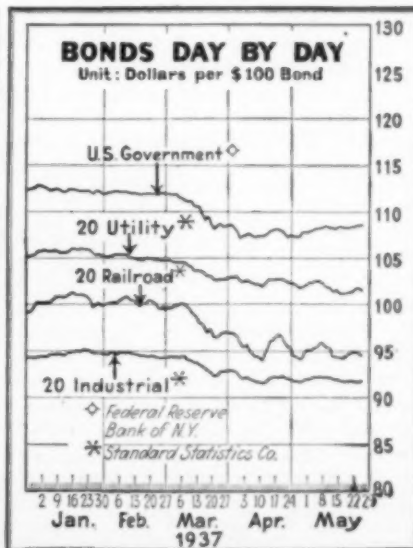
The result is that U.S. Steel, on June 29, after payment of this most recent declaration, will have disbursed almost \$73,000,000 on the preferred in about seven months. There was a declaration of \$2 a share at the end of October; \$7 at the end of November; \$1.75 at the January meeting; \$5.75 at the May meeting, and now \$2. Accruals are thereby reduced to \$3.25 a share, or a little over \$11,700,000.

It is very doubtful that the Steel directors at this time were considering the tax on undistributed profits—the time for that is along in November. But there will be no payments on the common stock until back dividends on the preferred are cleaned up. It looks very much as though the corporation's 170,000-odd common stockholders would get a reward for nearly five years of waiting before this year is out.

Refractories' Option Plan

Whereas Big Steel doesn't appear to be anticipating the surtax on undistributed earnings this far in advance, General Refractories Co. quite definitely is. A dividend of \$2 a share has been declared, payable optionally in cash or in 1/25 share of stock (worth about \$2.40).

The company explains that it wants to pay off the remaining \$2,250,000 of bonds. To do so from cash would involve a tax payment of about \$460,000. If stockholders elect to take the stock dividend, the cash can be applied to the redemption of the bonds—if all holders were to take the stock, more than \$900,-



000 would be available for bond repayment. If the plan works well this time, it will be tried again in the fall.

Thus Refractories has taken advantage of a good way to pay a dividend while hanging onto the cash (*BW—Aug 8 '36, p36*). Many other companies which have been paying out all their profits, however, aren't in such a rosy spot. They need more money, are going into the new capital market for it, and the 1937 drop in stock and bond prices has caused a log jam which nothing but price stabilization can break.

Branch Banking Fight

Two bills in Congress attacked, and another bill in Illinois is quietly introduced.

THE long-standing branch-vs.-unit banking fight is at the boil again. The most recent outbreak is in Illinois, one of the nine die-hard states which still prohibit branch banking of any sort or description. Moreover, there are two bills in Congress designed to foster establishment of branch banking systems coextensive with the Federal Reserve districts.

The bill to allow branch banking in Illinois was dropped into the legislative hopper at Springfield most unostentatiously. Chicagoans didn't find mention of it in their newspapers; the state capital reporters missed it; financial editors in Chicago didn't get wind of it. But the bankers heard of it in short order.

Bill-dropper was Rep. Shafer O'Neill of Alton, chairman of the House committee on banks and banking, friend of the Nash-Kelly Democratic machine in Chicago, and fair-haired boy of the state party organization.

Some Big Banks Approve

Battle lines in Illinois are not yet clearly drawn. A big Loop banker said privately: "This bill was not introduced at the behest of the big banks. And it would be a mistake for us to go down there and ask that it be passed. But it is my personal view that unless branch banking comes in Illinois you will see a lot of bank failures among the small, outlying banks in Chicago. If the public wants a sound banking system, we're not going to say the public can't have it."

Small bankers insist they don't think the bill will pass. They're organizing to fight it if and when it comes up in committee. Big Chicago banks that don't want to bear the overhead incident to spreading out in branches may hold it back. But, if it passes, it is agreed that most of the big banks will have to jump in with both feet or suffer loss of prestige.

As to new federal legislation, it



LINE OF SUCCESSION—When Western Union this week named Charles H. Carroll assistant vice-president, the company was, in fact, naming him heir apparent to J. C. Willever, first vice-president. Mr. Willever is over the retirement age, but has been retained in service several years because of his high position in the industry; but one of these days he is expected to turn over to Mr. Carroll complete charge of the commercial department.

looked months ago as though the present rule for national banks—do as the states allow state banks to do—would be broadened if proponents could get away with it (*BW—Dec 12 '36, p40*). Then the thing seemed to blow over. But California's Sen. William Gibbs McAdoo reopened it with two bills, one to permit branch banking within Federal Reserve district limits (excepting in states which prohibit it), and the other to force chain banking groups to turn into branch systems.

These bills, in combination with the transformation of the Giannini's Transamerica Corp. into an investment company which could easily make the most of the McAdoo bills (*BW—May 22 '37, p40*), raised a great hue and cry among unit bankers. Here are a few of the howls, more or less chronologically.

Dr. Luther A. Harr, Pennsylvania's banking commissioner and chairman of the executive committee of the National Association of Supervisors of State Banks, declared, "Mr. Giannini's program shall not prevail."

William S. Elliott, executive vice-president of the Bank of Canton (Ga.), told unit bankers to assert themselves in the American Bankers Association.

Charles F. Zimmerman, president of the First National Bank of Huntingdon (Pa.) and veteran foe of branch banking, classified the McAdoo bills as the "first act in the newly written drama to disrupt the historic American banking system."

New Jersey Bankers Association passed resolutions condemning the McAdoo bills at the annual convention in Atlantic City late last week.

F. W. Van Antwerp, president of the First Bank & Trust Co., Indianapolis and newly elected president of the Indiana Bankers Association, sent a letter to all association members denouncing the McAdoo bills as "only another step in the direction of nation-wide branch banking."

The National Association of Supervisors of State Banks, meeting in Washington on Monday, passed resolutions opposing the McAdoo bills.

Statistics compiled annually by the comptroller of the currency show on Oct. 31, last, 190 national banks had 1,460 branches. This compares with 118 banks operating 372 branches on Feb. 27, 1927, when the McFadden Act was passed.

Banking Cleanup—Federal authorities have long urged on states the necessity of holding to a minimum the number of bank charters issued and of making sure that would-be bankers have the requisite capital before letting them set up shop. Since the banking holiday this important principle has been pretty generally respected, with few minor exceptions.

Yet that isn't enough to assure the soundness of the banking structure, as Leo T. Crowley, Federal Deposit Insurance Corp. chairman, has frequently pointed out. Previously Mr. Crowley has let it be known that some banks were speculating in securities, buying dubious bonds on the possibility of appreciation rather than buying gilt-edged securities for income. And he has hinted that steps would be taken.

Now he lets it be known that steps very definitely are being taken. He has asked the state banking departments of the 48 states to determine what communities are overbanked, what communities lack sufficient banking facilities, and how many FDIC-insured institutions might best be merged to avert the possibility of future collapse.

It's of very real interest to Chairman Crowley that the situation be cleaned up, for his FDIC will take the rap for banks that go to the wall. He fears that expanding business will bring about stiffening in money rates (lower bond prices) and that most of the speculators among small bankers will be out on a limb. In short, he's now applying the proverbial ounce of prevention.

While There's Life . . .—Not one to crawl into a dark closet and quake at government intervention in the public utility field is Bernard W. Lynch, president of Standard Gas & Electric Co., a complicated and wideflung holding company. In his first annual report as president, Mr. Lynch vouch-

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Wide World

SUES TRUSTEE—Sen. Bennett Champ Clark (above) heads the committee for Bolivian bondholders which this week sued the Chase National Bank for more than \$7,000,000. The Equitable Trust Co. is accused of allowing collateral to slip out from under the \$29,000,000 Bolivian 8% issue, and the Chase inherits the headache as successor to the Equitable through the merger in 1930.

saves these hopeful (almost happy) thoughts to stockholders:

"Standard Gas & Electric is a public utility holding company to which the Public Utility Act of 1935 has direct application. It is too early to measure the precise effect this law will have on the public utility industry as a whole or on this company in particular . . . Should its constitutionality be established . . . it is believed that its terms will be constructively administered and that the interests of security holders will be safeguarded. In the event that the [Supreme] Court should hold the act unconstitutional, a new measure would thereupon doubtless be enacted designed to regulate holding companies within limits indicated by such opinion.

"The atmosphere out of which this legislation developed and the anxiety to which it has given rise have been such that perhaps only the test of experience under federal regulation will provide the basis for corrective amendment where that is found necessary. The policy of the national Administration toward the electric utility industry and its ultimate objective have not as yet been definitely expressed. When this is done and when the issues are clarified, it is believed that a course will be indicated under which soundly

financed and intelligently managed holding companies will be permitted to function and without destruction of legitimate investments."

Hardly Unanimous—By no means does the utility industry share Mr. Lynch's eudemonic faith in the Roosevelt Administration's attitude. Wendell L. Willkie, president of Commonwealth & Southern Corp., observed with great restraint (but probably with exasperation between the lines) that the government's policy "threatens . . . extensive injury to the property of the security holders." That was in his annual message to shareholders.

C. & S. has a special problem. Federal activities in the Tennessee Valley are playing hob with the peace of mind of executives of C. & S. subsidiaries. This gives Mr. Willkie particular cause for many grievances, and the grievances have been taken to the courts in various forms and cases.

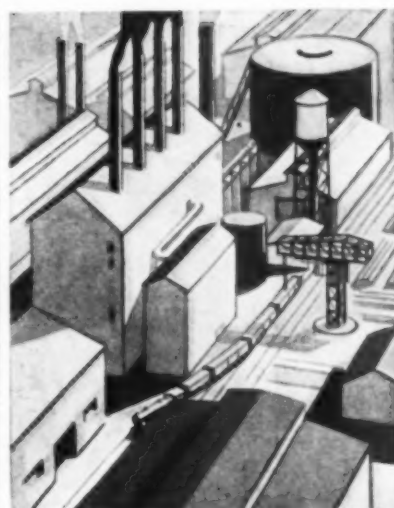
Even Mr. Lynch seems not to be wholly sold on the course of the federal government. It is notable that in his message to Standard Gas owners, he did not use the first person singular and say "I believe that 'its terms will be constructively administered.'" Mr. Lynch shielded himself behind the third person neuter, "it is believed."

Yet if actions speak louder than words, Mr. Lynch is certainly more than half persuaded that the government will not crack down uncereemoniously and inconsiderately. One of the first big holding companies to bolt the "united front" of utility opposition to the Public Utility Act was Northern States Power Co. (Minnesota), one of Standard Gas' largest subsidiaries, which registered with the SEC under the law.

Reason for It—The object of the Northern States Power registration under the law was to pave the way for registration of bonds to refund obligations at a lower rate of interest.

And today, pending the determination of the constitutionality of the holding company law, S.G.&E. has been simplifying its corporate structure by eliminating interlocking directors and doing away with sub-holding companies — that, undoubtedly as a measure of anticipation. Presumably Mr. Lynch feels certain that the SEC will not accept things as they are, even though he is not sure how amendments will leave the law in its final form. This is what he says:

"Practical operation demonstrated the need for amendment of the Securities Act of 1933 . . . It is to be hoped that the need for amendment of the Public Utility Act will likewise become apparent to the government. Such amendment should have regard for the broad purposes of the Administration



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and give due weight as well to the exigencies of the public utility industry and to the just claims of its investors. On that basis, the public utility industry may move forward with certainty and in confidence."

Utility Rates—The theory of rate making has always been that a public utility must be allowed to earn a "reasonable" return. Yet what happens in actual practice is that rates almost invariably go down, virtually never up. Even during the depression, when income was melting at an alarming rate, increased tariffs were rare indeed.

In the first place, it's a long and tedious process to prove that rates are not yielding a reasonable return. It may take years to establish a fair basis for the computation. Meanwhile, the press is full of attacks on the "power trust" and is yelling "gouge." Public relations suffer.

Nevertheless, companies do find it imperative occasionally to go to the public service commissions with requests for higher rates. Peoples Gas Light & Coke Co., Chicago, has just been turned down by the Illinois commission and George A. Ranney, chairman, announces that the case will be carried into the courts.

The commission's refusal, as is usually the case, was based on non-acceptance of the company's bookkeeping. The valuation was cut to \$120,000,000 in place of the claimed \$165,000,000; the depreciation charge was slashed \$1,000,000; merchandising losses were disallowed; property taxes and some rental figures were questioned. All of which is typical of the difficulty of agreeing on a method of figuring out what a company actually is making on its capital.

One Way of Putting It—Great oaks from little acorns grow, and inflation out of intermittent wind does blow. That unfortunate bit of poesy springs at bottom, undoubtedly, from the deceiving May clime, but the immediate inspiration was a simple sentence from a broker's letter, which read: "Credit, it is said, is a tender flower which blooms on confidence." In that case "confidence" is the fertilizer that inspires credit—which leads to business expansion, and possibly to inflation. But there are some who think confidence is not the fertilizer; rather, they apply that term to a lot of the windy talk about confidence.

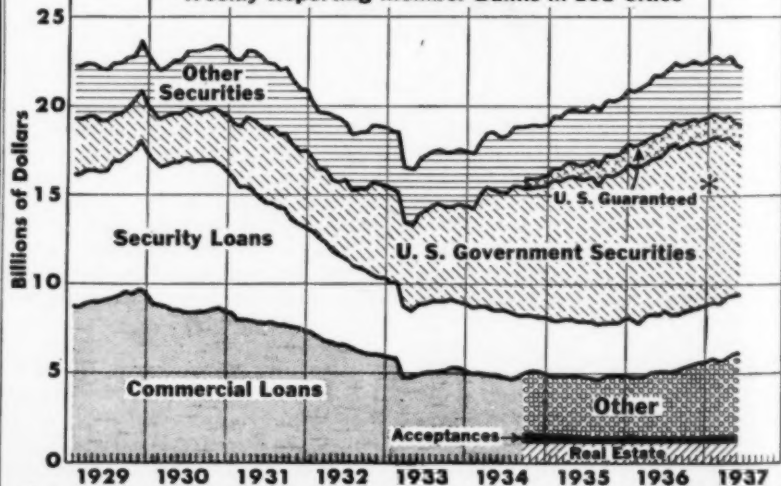
Another SEC Probe—Root Petroleum Co. common stock, on the New York Curb, is the center of the newest Securities and Exchange Commission "jiggle" investigation. Lyon, Pruyn & Co. are charged with having had options on the stock and with having manipulated the market late in 1935 and in 1936.

Two New York Stock Exchange firms are alleged to have expedited the Lyon, Pruyn operation. They are Abbott, Proctor & Paine and Baker, Weeks & Harden. They are obliged to appear before the commission June 21 to show cause why they shouldn't be expelled or suspended from various markets.

Hugh E. Paine, of Abbott, Proctor & Paine, says his firm never participated in any option or pool or manipulation of Root Petroleum; that it acts solely as broker for clients and that it executed orders in Root Petroleum only on this basis. Mr. Paine even goes so far as to list profits of two Chicago partners (who made \$418 and \$722, respectively, in their personal accounts) who are on the carpet.

WHAT BANKS DO WITH THEIR MONEY

Weekly Reporting Member Banks in 101 Cities



* Lumped with "other securities" prior to Sept., 1934

© BUSINESS WEEK

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Editorially Speaking—

You don't like double movie bills? Well, in Buenos Aires a large theater has been giving five movies on its program. And its competitors threaten to retaliate by giving seven. As the five-movie show takes seven hours, you'd expect the hotels and rooming-houses to complain of unfair competition.

A RUNAWAY horse in Owego, N. Y., stopped voluntarily at a red light. Many drivers lack horse sense.

THE Florence Stove Co., of Gardner, Mass., has decided that if any female employee marries someone not employed by the company, she will be fired in six months; if she marries an employee in the company's factory she will be fired in three months; and if she marries one of its office employees she will be fired at once—presumably because this offense is the most degrading of all three.

AN operation to loosen the skin on the scalp in order to relieve baldness was described by Prof. Gustave Aufrecht at a meeting of dentists. Probably he picked them as an audience of culprits who cause a lot of the prevailing baldness, if his tight-scalp theory is correct, because the dentist's chair is the place where you can practically hear the skin shrinking on your scalp.

THERE'S food, there's music, there's dancing, but there's nothing hard to drink; a liquorless cabaret has opened in New York. And probably it will do better there than it could almost anywhere else. The regular cabarets provide mutual competition. This new one will work the other side of the street.

THE people in Quinter, Kan., flew off the handle when they heard a Topeka radio station announce that Gov. Huxman would give Postmaster-General Farley a wild turkey dinner at Topeka on May 25. "Why, he promised to be here at dinner May 25 and dedicate Lake Sheridan!" they said. But it turned out that Gov. Huxman intended to keep both the Quinter and the Topeka engagements. The Quinter people had misunderstood. And the misunderstanding is explained in this way by the *Topeka Capital*:

"Out at Quinter, Kan., the noonday meal is 'dinner,' the night meal is 'supper.' In Topeka the noonday meal is 'lunch'; the night meal is 'dinner.'"

So? Well, we herewith make an offer to Sen. Capper, publisher of the *Capital*. We'll bet him a wild turkey dinner—hey, Mr. Farley, does this violate the postal regulations on the use of the mails for gambling pur-

poses, and does *Business Week* get thrown out of the mails? At any rate, we'll bet Arthur Capper a wild turkey dinner that if he'll send his staff out to take a representative poll, he'll find that more people in Topeka call dinner dinner and supper supper than call dinner lunch and supper dinner.

And another thing, Arthur—we'll eat our turkey at midday.

BLONDES are particularly dangerous night drivers, according to an optometrist. He explains that blondes' eyes are slow at night. Oh, yeah?

THERE'S excellent salesmanship in many of the movie trailers—which is the trade name for what's publicly called "previews of coming attractions." The "Romeo and Juliet" trailer we saw awhile ago was remarkably lavish. There were scenes from the picture, including the famous potion scene—you must surely see the famous potion scene—Norma Shearer reaches her greatest heights—Leslie Howard soars to the pinnacle of greatness—this is the sublimest picture ever made—you owe it to yourself to see it—you can't miss it—you mustn't miss it—and then after five minutes of this appeal to all the noblest and most exciting emotions, at last there came the fundamental appeal: "If you see 'Romeo and Juliet' it may help you to win \$1,000 in cash prizes distributed under this theater's bank night plan."

ONE thing we always read with interest is the opinions of old people on how they've managed to last so long. Brigadier-General Samuel E. Tillman, U.S.A., retired, has magnificent health at 89 and says, "I've worn suspenders all my life, and that's why I've always had good health." Judge Fred Foote, 88, of Middlebury, Vt., isn't feeling as hearty as he used to, and suspects the reason is the disappearance of pie from the Vermont breakfast table. Why doesn't he try wearing suspenders?

IN a tax suit against the estate of the first Lord Astor, who died in 1919 at the age of 70, his nurse has testified that "he was decidedly exclusive. He never said 'Good morning' to anybody, but there was something attractive about him." But he never said "Good morning" to anybody.

THE *Woman's Home Companion* offers \$100 for the skit or playlet which best demonstrates that advertising has economic and social values, and one of the rules is that the skit "must have some humor or comic relief to balance the arguments in favor of honest advertising." Why?

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MAY 29, 1937

Rockefeller's Work

Rockefeller's death was an event of public interest but not of public importance, for he had done his life-work long ago. His work was of surpassing importance. Rockefeller was the greatest industrial statesman in the history of the world.

He was one of those few men who become legends in their own lifetimes; but probably nobody else was ever a living legend for so long a period. "As rich as Rockefeller" was a by-word in the early childhood of men who are now 60. To them he became a timeless and eternal figure, as if he had existed from the beginning and would outlast their grandchildren. The present President of the United States, who is several times a grandfather, was born in 1882. And 1882 was the year when Rockefeller concentrated the stocks of 40 corporations in the Standard Oil Trust, with a capital of \$70,000,000.

Now in 1937 he is dead, and his death symbolizes the end of the period in which men could build personal business empires; the end, too, of the period of great philanthropy; the changing era in finance and industry; the rise of government to a position of constant domination; and the realization of business men that they must adjust themselves to the necessities of a newer time, performing their social obligations and gaining a firm hold on public esteem.

What Rockefeller did in the sixties and seventies and eighties, nobody can do now; nor would it be desirable that anybody receive so free a hand to control a great industry. Probably more than any other industrialist, Rockefeller received public condemnation of his methods and results. He appeared to typify everything that was predatory and unsocial. It is only in the last quarter of a century that his extraordinary accomplishments have been appraised at something like their true value.

He set the pattern for the development of nation-wide industry after the Civil War. Here was a vast country, rich in natural resources, fertile in invention, and populated by an energetic and multiplying people who were not only creating industries but constituted an unparalleled mass market. Oil, the marvelous infant industry, typified the vigor and slapdash waste of the period. It consisted of a multitude of local companies engaged

in ruthless competition. There was wildcat drilling and wildcat financing. Rockefeller perceived the need for an organizer. He organized the industry from one end to the other—organized it vertically, organized it horizontally, and in a few years perfected a smooth mechanism that has never been equalled.

He spread his organization over the world. He showed genius in every branch of his affairs. He assembled the brainiest cabinet that has ever ruled any business. He was never arrogant or crotchety. He did not quarrel with any of his brilliant lieutenants. He led them, patiently, wisely.

Later he showed the same qualities in the creation of charitable and scientific foundations that have contributed immeasurably to human welfare. We are in a new time now: the government is draining those reservoirs of wealth to which charity, education, and science have looked for support. Apparently the government will have to provide that support. The colossal Rockefeller charities, like the early Rockefeller business methods, will never be repeated. The age of untrammelled leadership has passed. What is to take its place is far from clear.

For Sane Changes In Social Security

Social Security—the essential policy of the Social Security Act—is now the settled policy of the United States. The Supreme Court has sustained the main provisions of the act, and any competent judge of the public temper will say that there is no chance of overturning the social security policy within the foreseeable future. The fight is over.

But that is merely true as to the essential policy of the present act; it is not true as to highly important

amendments that will be proposed in the next few years. For one thing, there is sure to be a powerful drive for health insurance. This was kept out of the present act, chiefly because of doctors' opposition, but the fight will be renewed. Moreover, there is the acute question of the 47-billion-dollar Old Age Reserve Fund. A fund of this magnitude is unnecessary; it is an inflationary threat. A pay-as-you-go policy should be largely if not altogether adopted. Business must press for this business-like change and must oppose the efforts of radicals to multiply the scope and taxes of the Social Security Act.

Iron Control Of Every Business

President Roosevelt's new wages-and-hours bill is regimentation with a vengeance. It is a bird very much like the Blue Eagle; a smaller bird but tougher. And it has arrived not for a visit during an emergency, as its predecessor did in 1933, but for all time. That seems to be the intention, at any rate.

Moreover, the President expects this bird to grow. "These rudimentary standards," he says in his labor message to Congress, "will of necessity at the start fall far short of the ideal." But even the "rudimentary standards" defined in his message are not fully accepted in the wages-and-hours bill introduced the same day. For among the goods which, the President says, should be barred from interstate markets, are the "products of employers who deny to their workers the right of self-organization and collective bargaining." But this prohibition is not in the bill, although there are other provisions indirectly tending to the same effect. It may be that at the last moment the President decided not to duplicate the Wagner Labor Relations Act in the new bill. He may think that the bill is a sufficient warning to employers who still oppose unionization.

If this bill passes, the wages and hours in practically every business in the country will be ruled by Washington. Genuine flexibility in this control is impossible. Business will be subjected to iron rules that may do enormous harm.

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